



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “directors”) of Hua Xia Healthcare Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$483.362 million for the three months ended 30 June 2012 as compared to a total turnover of approximately HK\$389.831 million recorded in the corresponding period in 2011, representing a significant increase of about 23.99%.
- The Group has recorded profit attributable to owners of the Company for the three months ended 30 June 2012 of approximately HK\$11.669 million as compared to the profit attributable to owners of approximately HK\$10.376 million recorded in the corresponding period in 2011, representing an increase of about 12.46%.
- The basic and diluted earnings per share of the Company for the three months ended 30 June 2012 were approximately HK0.987 cents and HK0.907 cents respectively (2011: approximately HK0.878 cents and HK0.850 cents for the basic and the diluted earnings per share).
- The directors do not recommend the payment of a dividend for the three months ended 30 June 2012 (2011: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Hua Xia Healthcare Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in year 2011, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2012

		Three months ended	
		30 June	
		2012	2011
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Turnover	3	483,362	389,831
Cost of sales		<u>(427,461)</u>	<u>(335,754)</u>
Gross profit		55,901	54,077
Other income		4,402	1,388
Selling and distribution costs		(22,836)	(19,425)
Administrative expenses		<u>(15,603)</u>	<u>(14,614)</u>
Profit from operations		21,864	21,426
Finance costs		<u>(3,183)</u>	<u>(4,068)</u>
Profit before taxation		18,681	17,358
Taxation	4	<u>(5,378)</u>	<u>(5,269)</u>
Profit for the period		<u>13,303</u>	<u>12,089</u>
Other comprehensive income:			
Exchange differences arising on translating foreign operations		<u>(338)</u>	<u>1,764</u>
Other comprehensive income for the period, net of tax		<u>(338)</u>	<u>1,764</u>
Total comprehensive income for the period		<u>12,965</u>	<u>13,853</u>

		Three months ended	
		30 June	
		2012	2011
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Profit for the period attributable to:			
	Owners of the Company	11,669	10,376
	Non-controlling interests	1,634	1,713
		<u>13,303</u>	<u>12,089</u>
Total comprehensive income attributable to:			
	Owners of the Company	11,355	13,720
	Non-controlling interests	1,610	133
		<u>12,965</u>	<u>13,853</u>
Dividends	7	<u>–</u>	<u>–</u>
Earnings per share			
– Basic	5	<u>HK0.987 cents</u>	<u>HK0.878 cents</u>
– Diluted	5	<u>HK0.907 cents</u>	<u>HK0.850 cents</u>

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2012

1. Corporate information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 GT George Town, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and provision of general hospital services in the People's Republic of China (the "PRC").

2. Basis of preparation and principal accounting policies

The condensed consolidation financial results for the three months ended 30 June 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange (the "GEM Listing Rules"). The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the three months ended 30 June 2012 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2012 (the "2011/2012 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in notes to the 2011/2012 Financial Statements. The directors of the Company believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

Certain comparative amounts have been stated to confirm with the current period's presentation and accounting treatment.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and provision of general hospital services during the period. The analysis of the Group's turnover for the periods is as follows:

	Three months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	449,860	357,040
Provision of general hospital services	33,502	32,791
	483,362	389,831

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2011: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and general hospital services in the PRC (2011: approximately 25%).

5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2012 was based on the profit attributable to owners of the Company of approximately HK\$11.669 million (2011: approximately HK\$10.376 million) and on the weighted average number of 1,182,438,264 shares (2011: 1,182,438,264 shares).

Diluted earnings per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months ended 30 June 2012, the Company had two categories of dilutive potential ordinary shares: convertible note and share options.

The convertible note is assumed to have been converted into ordinary shares and the profit attributable to owners is adjusted to eliminate the interest expense of convertible note less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	11,669	10,376
Interest expense on convertible note (net of tax)	105	105
	<hr/>	<hr/>
Profit for the purpose of diluted earnings per share	11,774	10,481
	<hr/> <hr/>	<hr/> <hr/>
	2012	2011
Weighted average number of ordinary shares in issue	1,182,438,264	1,182,438,264
Adjustments for assumed exercise of share options	111,878,671	46,796,793
Adjustments for assumed conversion of convertible note	3,421,053	3,421,053
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,297,737,988	1,232,656,110
	<hr/> <hr/>	<hr/> <hr/>
	2012	2011
Diluted earnings per share	HK0.907 cents	HK0.850 cents
	<hr/> <hr/>	<hr/> <hr/>

6. Capital and reserve (unaudited)

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i> <i>(Note (a))</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note (d))</i>	Special reserve <i>HK\$'000</i> <i>(Note (b))</i>	Translation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible note reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note (c))</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2011	591,219	190,250	-	(6,735)	15,111	11,801	2,537	7,158	25,651	836,992	39,706	876,698
Profit for the period	-	-	-	-	-	-	-	-	10,376	10,376	1,713	12,089
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	1,764	-	-	-	-	1,764	410	2,174
At 30 June 2011	<u>591,219</u>	<u>190,250</u>	<u>-</u>	<u>(6,735)</u>	<u>16,875</u>	<u>11,801</u>	<u>2,537</u>	<u>7,158</u>	<u>36,027</u>	<u>849,132</u>	<u>41,829</u>	<u>890,961</u>
At 1 April 2012	11,824	190,250	579,395	(6,735)	24,146	14,862	2,537	17,465	65,139	898,883	41,161	940,044
Profit for the period	-	-	-	-	-	-	-	-	11,669	11,669	1,634	13,303
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	(314)	-	-	-	-	(314)	(24)	(338)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,397)	(3,397)
At 30 June 2012	<u>11,824</u>	<u>190,250</u>	<u>579,395</u>	<u>(6,735)</u>	<u>23,832</u>	<u>14,862</u>	<u>2,537</u>	<u>17,465</u>	<u>76,808</u>	<u>910,238</u>	<u>39,374</u>	<u>949,612</u>

Notes:

(a) As at 30 June 2012, the total issued share capital of the Company was approximately HK\$11.824 million (2011: approximately HK\$591.219 million) divided into 1,030,938,264 ordinary shares and 151,500,000 non-voting convertible preference shares (2011: 672,438,264 ordinary shares and 510,000,000 non-voting convertible preference shares) of HK\$0.01 each (2011: HK\$0.5 each).

(b) Included in the special reserve amounting to approximately HK\$2,935,000 of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

The decrease in special reserve amounting to approximately HK\$41,580,000 of the Group represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2007.

The increase in special reserve amounting to approximately HK\$31,910,000 of the Group represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2008.

(c) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

(d) The capital reserve is resulted from the capital reorganisation taken by the Company during year ended 31 March 2012.

7. Dividends

The directors do not recommend the payment of a dividend for the three months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2012, the Group recorded a turnover on business operations of approximately HK\$483.362 million (2011: approximately HK\$389.831 million), representing a significant increase of about 23.99% compared to the same period last year. The rise in turnover was mainly driven from retail, wholesale and distribution of pharmaceutical products in PRC.

Selling and distribution expenses for the three months ended 30 June 2012 amounted to approximately HK\$22.836 million (2011: approximately HK\$19.425 million), representing an increase of about 17.56% compared to the same period last year. The increase was related to rise in staff costs and advertising and promotion expenses incurred for the growth of the Group's business.

Administrative expenses for the three months ended 30 June 2012 amounted to approximately HK\$15.603 million (2011: approximately HK\$14.614 million), rising about 6.77%.

Due to a combination of effect stated above, the Group reported a profit attributable to owners of the Company of approximately HK\$11.669 million for the three months ended 30 June 2012 (2011: approximately HK\$10.376 million), representing an increase of about 12.46% compared to the same period last year.

Business Review and Outlook

General hospital services

During the three months ended 30 June 2012, the Group operates two general hospitals in Chongqing and Jiaxing and manages one general hospital in Zhuhai city, principally engaged in the provision of general hospital services, including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The total turnover contributed by these general hospitals for the three months ended 30 June 2012 was approximately HK\$33.502 million (2011: approximately HK\$32.791 million).

The Group engages in the wholesale and distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC. The Group's pharmaceutical retail chain operation has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within Fujian Province. The Group continues to allocate resources to look for business opportunities to expand the pharmaceutical wholesale, distribution and retail chain businesses. The turnover contributed by the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses for the three months ended 30 June 2012 was approximately HK\$449.860 million (2011: approximately HK\$357.04 million).

Future Prospects

The management of the Group continues to adapt to the changing business environments through effective and efficient measures and relies on its innovative two core businesses model (i.e. general hospital operations and pharmaceutical products businesses) for growth potential. The Group will actively look for further development opportunities made available by the continued healthcare reform and the second year of the 12th Five Year Plan. The management is optimistic towards the fast expanded market of healthcare supported by the continued favourable policy and business environments of the central and local governments in PRC.

With the Group's accurate market positioning, in 2012, our hospitals will benefit tremendously from the outcomes of the healthcare reform in the PRC, especially based on our solid development of hospital management systems and well-trained professionals. At the same time, further segmented service models and medical specialties will help us build brand names and gain more market shares while we should see further cost efficiency in our hospitals to maximise profitability while we continue to look for growth opportunities. The management considers the market for hemodialysis is fast growing and high value for our hospital services. As part of expansion strategies in the delivery of special medical services, the Group has decided to explore the potential growth of hemodialysis services through cooperation. This new segmented market is believed to fit the growth directions and to have a promising future.

For the new fiscal year, the Group's pharmaceutical wholesale and distribution divisions will continue to rapidly grow by taking the advantages of the favorable regional policies for the healthcare which supports the consolidation of the present scattering market. Cost controls and optimization will help us obtain much better margins while the close alliance with large pharmaceutical manufacturers for better brands will facilitate the market share increase. The Group's management is optimistic about the new fiscal year and we will continue to grow as long as we have firmly adhered to the strategies designed for the upswing in the healthcare business in the PRC.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 16 July 2012, the Board announced that the Company is considering the proposed spin-off (the “Proposed Spin-off”) of the pharmaceutical wholesale, distribution business and pharmaceutical retail chain business of the Group (the “Spun-off Group”) on the Main Board of the Stock Exchange by way of introduction pursuant to Practice Note 3 to the GEM Listing Rules in relation to the Proposed Spin-off on the same date. The Company was considering a proposal to declare and pay the shareholders of the Company a special interim dividend in connection with the Proposed Spin-off and such special dividend to be satisfied by way of distribution in specie by transferring certain amount of shares in listed holding company (the “Newco”) of the Spun-off Group to the qualifying shareholders of the Company whose name appear on the register of members of the Company at the record date of the distribution.

Up to the date of this announcement, the Proposed Spin-off is in progress and there is no assurance that the Proposed Spin-off would proceed or materialise or the Stock Exchange will grant approval for the Proposed Spin-off and the listing of, and permission to deal in, the new shares arising from the Proposed Spin-off on the Main Board of the Stock Exchange.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Disclosure of Interests

(a) Directors’ interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in shares:

Name of director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung Kwok Leong	Corporate interest (Note 1)	120,960,500	Long	11.73%
	Personal interest (Note 2)	235,046,875	Long	22.8%

Name of director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Weng Jiaxing	Personal interest	1,406,250	Long	0.14%
Mr. Zheng Gang	Personal interest	2,000,000	Long	0.19%

Note 1: These shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung Kwok Leong.

Note 2: The 235,046,875 shares represent (i) the 136,546,875 shares beneficially owned by Mr. Yung Kwok Leong, and (ii) the 98,500,000 convertible preference shares.

(ii) Interests in share options under Post-IPO share option scheme:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000	Long
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380	Long
	1 January 2012 to 31 December 2013	HK\$0.16	2,000,000	Long
Mr. Weng Jiaxing	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282	Long
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	Long
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.50	800,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084	Long
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	Long

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Dr. Huang Jiaqing	30 September 2009 to 29 March 2019	HK\$0.50	1,000,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	312,676	Long
	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000	Long
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507	Long
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	Long
Dr. Wong Yu Man, James	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000	Long

Save as disclosed above, as at 30 June 2012, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 June 2012, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Easeglory Holdings Limited (<i>Note 1</i>)	120,960,500	Long	Beneficial owner	11.73%
Mrs. Yung Muk Ying (<i>Note 1</i>)	375,707,375	Long	Interest of spouse	34.70%
Mr. Zhan Guo Tuan (<i>Note 2</i>)	60,000,000	Long	Beneficial owner	5.82%
Mrs. Lin Zhen Jin (<i>Note 2</i>)	60,000,000	Long	Interest of spouse	5.82%
Rubyland Investments Limited (<i>Note 3</i>)	60,000,000	Long	Beneficial owner	5.82%
Mr. Lau Kim Hung, Jack (<i>Note 4</i>)	66,900,000	Long	Beneficial owner	6.49%
Mrs. Chan Yiu Kan, Katie (<i>Note 4</i>)	66,900,000	Long	Interest of spouse	6.49%

Note 1: The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive director and the Chairman of the Board and Chief Executive Officer of the Company. By virtue of her being the spouse of Mr. Yung Kwok Leong, Mrs. Yung Muk Ying is deemed to be interested in 120,960,500 shares held by Easeglory Holdings Limited, 136,546,875 shares, 1,700,000 share options and 98,500,000 convertible preference shares beneficially held by Mr. Yung Kwok Leong in personal capacity.

Note 2: Mr. Zhan Guo Tuan is interested in 60,000,000 shares of the Company. Mrs. Lin Zhen Jin is deemed to be interested in 60,000,000 shares by virtue of her being the spouse of Mr. Zhan Guo Tuan.

Note 3: The issued share capital of Rubyland Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is 100% beneficially owned by Mr. Lau Kim Hung, Jack.

Note 4: The 66,900,000 shares represents (i) 60,000,000 shares are held through Rubyland Investments Limited, which is beneficially owned by Mr. Lau Kim Hung, Jack and (ii) 6,900,000 shares are held through by Bountiful Resources Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Lau Kim Hung, Jack.

By virtue of her being the spouse of Mr. Lau Kim Hung, Jack, Mrs. Chan Yiu Kan, Katie is deemed to be interested in 60,000,000 shares held by Rubyland Investments Limited and 6,900,000 shares held by Bountiful Resources Limited.

Save as disclosed above, as at 30 June 2012, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

As at 30 June 2012, there were 111,189,064 outstanding share options, of which, 237,777 and 110,951,287 share options were granted pursuant to the respective Pre-IPO share option scheme and Post-IPO share option scheme. Details of the outstanding share options as at 30 June 2012 were as follows:

(i) Pre-IPO scheme

As at 30 June 2012, there were 237,777 outstanding share options pursuant to the Pre-IPO scheme adopted on 20 April 2002. A breakdown setting out the number of outstanding share options, their respective exercise price and respective exercise period under the Pre-IPO scheme was as follows:

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Former employee and advisor of the Group	25 April 2002 to 24 April 2012	HK\$2.35	<u>237,777</u>

(ii) Post-IPO share option scheme

As at 30 June 2012, there were 110,951,287 outstanding share options pursuant to the Post-IPO scheme adopted on 20 April 2002 and 10 August 2011. A breakdown setting out the number of outstanding share options, their respective exercise price and respective exercise period under the Post-IPO scheme was as follows:

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Mr. Yung Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380
	1 January 2012 to 31 December 2013	HK\$0.16	2,000,000
Mr. Weng Jiaying	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.50	800,000
	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000
Dr. Huang Jiaqing	30 September 2009 to 29 March 2019	HK\$0.50	1,000,000
	23 March 2010 to 22 March 2015	HK\$1.12	312,676
	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000
	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000
Dr. Wong Yu Man, James	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$3.61	459,739
	21 March 2007 to 20 March 2017	HK\$2.94	1,042,253
	30 September 2009 to 29 March 2019	HK\$0.50	8,200,000
	23 March 2010 to 22 March 2015	HK\$1.12	19,594,366
	1 January 2012 to 31 December 2013	HK\$0.16	42,800,000
Total			110,951,287

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the three months ended 30 June 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the directors or the management shareholders (as defined in the GEM Listing Rules), and their respective associates had any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the three months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2012 except for the following deviation:

- (i) The code provision A.2.1 of the Code prescribed, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the three months ended 30 June 2012, the roles of chairman and chief executive officer of the Company are not segregated and are exercised by the same individual. Mr. Yung Kwok Leong serves as the chairman and chief executive officer. The Board believes that vesting the roles of the Chairman and the chief executive officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency.

REMUNERATION COMMITTEE

The remuneration committee was established on 3 June 2005 in compliance with the code provision. The remuneration committee consists of Mr. Zheng Gang, an executive director of the Company and three independent non-executive directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Ms. Wong Ka Wai, Jeanne is the Chairlady of the remuneration committee.

The role and function of the remuneration committee include the determination of the specific remuneration package of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive directors. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION COMMITTEE

The nomination committee was established on 27 March 2012 in compliance with the code provision. The nomination committee consists of Mr. Yung Kwok Leong, an executive director and three independent non-executive directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Mr. Yung Kwok Leong is the chairman of the nomination committee.

The primary duties of the nomination committee are to make recommendations to the Board on the appointment of directors and management of the Board's succession, and to ensure that the candidates to be nominated as directors are experienced, high caliber individuals.

AUDIT COMMITTEE

The Company established an audit committee on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are: (i) to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The audit committee comprises three members including Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen. All of them are the independent non-executive directors. The chairlady of the audit committee is Ms. Wong Ka Wai, Jeanne.

The Group's unaudited condensed consolidated results for the three months ended 30 June 2011 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

By order of the Board
Hua Xia Healthcare Holdings Limited
Yung Kwok Leong
Chairman

Hong Kong, 10 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaying, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Chen Jin Shan, the non-executive director is Dr. Wong Yu Man, James, and the independent non-executive directors are Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.