



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$1,487.443 million for the nine months ended 31 December 2012 as compared to a total turnover of approximately HK\$1,363.529 million recorded in the corresponding period in year 2011, representing a significant increase of about 9.09%.
- Profit attributable to owners of the Company was approximately HK\$29.956 million (2011: approximately HK\$32.424 million), representing a decrease of about 7.61% as compared to the same period last year. The decrease was mainly related to the expenses incurred in the Group's Spin-off Project. By excluding such effect the Group recorded an increase of profit attributable to owners of the Company around 11.62% to same period last year.
- The basic and diluted earnings per share were approximately HK2.533 cents and HK2.333 cents respectively (2011: basic and diluted earnings per share approximately HK2.742 cents and HK2.658 cents respectively).
- The directors do not recommend the payment of a dividend (2011: Nil).

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2012, together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2012

	Notes	Three months ended		Nine months ended	
		31 December 2012	2011	31 December 2012	2011
		HK’000 (Unaudited)	HK\$’000 (Unaudited)	HK\$’000 (Unaudited)	HK\$’000 (Unaudited)
Turnover	3	496,643	534,368	1,487,443	1,363,529
Cost of sales		<u>(437,329)</u>	<u>(471,795)</u>	<u>(1,311,438)</u>	<u>(1,194,634)</u>
Gross profit		59,314	62,573	176,005	168,895
Other income		892	1,755	8,270	4,410
Selling and distribution costs		(21,489)	(20,038)	(69,033)	(59,921)
Administrative expenses		(20,696)	(17,057)	(56,146)	(46,531)
Profit from operations		18,021	27,233	59,096	66,853
Finance costs		(1,929)	(3,446)	(8,310)	(10,472)
Profit before taxation		16,092	23,787	50,786	56,381
Taxation	4	(5,508)	(6,940)	(15,953)	(18,572)
Profit for the period		10,584	16,847	34,833	37,809
Other comprehensive income, net of tax:					
Exchange differences on translating foreign operations		1,131	1,760	(128)	8,513
Other comprehensive income for the period, net of tax		1,131	1,760	(128)	8,513
Total comprehensive income for the period		11,715	18,607	34,705	46,322

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2012

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit for the period					
attributable to:					
Owners of the Company		9,059	14,961	29,956	32,424
Non-controlling interests		1,525	1,886	4,877	5,385
		10,584	16,847	34,833	37,809
Total comprehensive income					
attributable to:					
Owners of the Company		10,026	16,618	29,847	39,841
Non-controlling interests		1,689	1,989	4,858	6,481
		11,715	18,607	34,705	46,322
Dividends	5	–	–	–	–
Earnings per share					
– Basic (<i>cents</i>)	6	0.766	1.265	2.533	2.742
– Diluted (<i>cents</i>)		0.706	1.223	2.333	2.658

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2012

	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Capital reserve HK\$'000 (Note (d))	Special reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note (c))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	-	-	-	32,424	32,424	5,385	37,809
Other comprehensive income, net of tax:												
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	7,417	-	-	-	-	7,417	1,096	8,513
Issue of share options	-	-	-	-	-	1,342	-	-	-	1,342	-	1,342
Capital reduction	(579,395)	-	579,395	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	1,639	(1,639)	-	-	-
At 31 December 2011	<u>11,824</u>	<u>190,250</u>	<u>579,395</u>	<u>(6,735)</u>	<u>22,528</u>	<u>13,143</u>	<u>2,537</u>	<u>8,797</u>	<u>56,436</u>	<u>878,175</u>	<u>46,187</u>	<u>924,362</u>
	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Capital reserve HK\$'000 (Note (d))	Special reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note (c))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	-	-	-	29,956	29,956	4,877	34,833
Other comprehensive income, net of tax:												
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	(109)	-	-	-	-	(109)	(19)	(128)
Issue of share options	-	-	-	-	-	844	-	-	-	844	-	844
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,089)	(6,089)
Transfer to statutory reserve	-	-	-	-	-	-	-	4,302	(4,302)	-	-	-
At 31 December 2012	<u>11,824</u>	<u>190,250</u>	<u>579,395</u>	<u>(6,735)</u>	<u>24,037</u>	<u>15,706</u>	<u>2,537</u>	<u>21,767</u>	<u>90,793</u>	<u>929,574</u>	<u>39,930</u>	<u>969,504</u>

Notes:

(a) As at 31 December 2012, the total issued share capital of the Company was approximately HK\$11.824 million (2011: approximately HK\$11.824 million) divided into 1,083,938,264 ordinary shares and 98,500,000 non-voting convertible preference shares (2011: 910,938,264 ordinary shares and 271,500,000 non-voting convertible preference shares) of HK\$0.01 each (2011: HK\$0.01 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 the year ended 31 March 2012.

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

For the three months and nine months ended 31 December 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 consolidated financial results for the nine months ended 31 December 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 results for the nine months ended 31 December 2012 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2012.

The Group has not get early adopted the new and revised HKFRSs that have been issued but are not yet effective.

Certain comparative amounts have been restated 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.

	Three months ended		Nine months ended	
	31 December		31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	460,881	499,907	1,382,519	1,264,147
Provision of general hospital services	35,762	34,461	104,924	99,382
	<u>496,643</u>	<u>534,368</u>	<u>1,487,443</u>	<u>1,363,529</u>

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 provision of general hospital services in the PRC (2011: approximately 25%).

5. Dividends

The directors do not recommend the payment of a dividend for the nine months ended 31 December 2012 (2011: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31 December 2012 was based on the net profit of approximately HK\$9.059 million (2011: approximately HK\$14.961 million) and on the weighted average number of 1,182,438,264 shares (2011: 1,182,088,265 shares).

The calculation of basic earnings per share for the nine months ended 31 December 2012 was based on the net profit of approximately HK\$29.956 million (2011: approximately HK\$32.424 million) and on the weighted average number of 1,182,438,264 shares (2011: 1,180,261,598 shares).

Diluted earnings per share was calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 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 the 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 31 December 2012 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2012 <i>HK\$'000</i> (Unaudited)
Profit attributable to owners of the Company	9,059	29,956
Interest expense on convertible note (net of tax)	<u>105</u>	<u>315</u>
Profit for the purpose of diluted earnings per share	<u><u>9,164</u></u>	<u><u>30,271</u></u>
Weighted average number of ordinary shares in issue	1,182,438,264	1,182,438,264
Adjustments for assumed conversion of convertible note	3,421,053	3,421,053
Adjustments for assumed exercise of share options	<u>111,662,030</u>	<u>111,662,030</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>1,297,521,347</u></u>	<u><u>1,297,521,347</u></u>
	Three months ended 31 December 2012	Nine months ended 31 December 2012
Diluted earnings per share	<u><u>HK0.706 cents</u></u>	<u><u>HK2.333 cents</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2012 (the “period under review”), the Group recorded a turnover on business operations of approximately HK\$1,487.443 million (2011: approximately HK\$1,363.529 million), representing a significant increase of 9.09% compared to the same period last year. The rise in turnover was mainly driven by the sales from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

Selling and distribution expenses for the period under review amounted to approximately HK\$69.033 million (2011: approximately HK\$59.921 million), a 15.21% increase. This was related to rise in staff costs and advertising and promotion expenses incurred for the growth of the Group’s business.

Administrative expenses amounted to approximately HK\$56.146 million (2011: approximately HK\$46.531 million), rising about 20.66%. The increase was mainly related to the expenses of the Group’s Spin-off Project.

The Group recorded a profit attributable to owners of the Company of approximately HK\$29.956 million for the period under review (2011: approximately HK\$32.424 million), representing a decrease of about 7.61% compared to the same period last year. The decrease was mainly related to the expenses incurred in the Group’s Spin-off Project. By excluding such effect the Group recorded an increase of profit attributable to owners of the Company around 11.62% to same period last year.

Business Review and Outlook

General hospital services

During the nine months ended 31 December 2012, the Group operates two general hospitals in Chongqing and Jiaying and manages one general hospital in Zhuhai city which is 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 nine months ended 31 December 2012 was approximately HK\$104.924 million (2011: approximately HK\$99.382 million).

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The Group engages in the wholesale, 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 store numbers and comprehensive competitiveness within Fujian Province. The Group continues to allocate resources and 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 nine months ended 31 December 2012 was approximately HK\$1,382.519 million (2011: approximately HK\$1,264.147 million).

Future Prospects

The management of the Group will continue to adapt to the changing business environments through effective and efficient measures and to rely on its two core businesses model (i.e. general hospital operations and pharmaceutical products distribution) for growth potential. The Group will actively look for further development opportunities made available by the rapid economic growth and the 12th Five Year Plan which calls for more aggressive healthcare reform and government spending.

The management continues to look for growth opportunities because in 2013, the social healthcare insurance scheme has expanded its coverage to a number of diseases. As a result, the management has embarked on the development of hemodialysis services through cooperation in the PRC.

For the new fiscal year, the Group's pharmaceutical wholesale, distribution divisions will continue to grow rapidly by taking the advantages of the favorable regional healthcare policies which support the consolidation of the present scattering distribution market. Cost controls and optimization will help us obtain more healthier margins while the close alliance with large pharmaceutical manufacturers for popular 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 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.

On 17 September 2012, the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

Up to the date of this report, the Proposed Spin-off is in progress and the Proposed Spin-off is subjected to, among others, the approvals from the shareholders of the Company and the Stock Exchange, and may or may not proceed. Accordingly, shareholders of the Company and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

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 31 December 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 <i>(Note 1)</i>	120,960,500	Long	11.16%
	Personal interest <i>(Note 2)</i>	235,046,875	Long	21.68%
Mr. Zheng Gang	Personal interest	2,000,000	Long	0.18%

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 Marshal International Investments Limited which is in turn wholly and beneficially 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. 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
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 31 December 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 31 December 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 (Note 1)	120,960,500	Long	Beneficial owner	11.16%
Marshal International Investments Limited (Note 1)	120,960,500	Long	Beneficial owner	11.16%
Mrs. Yung Muk Ying (Note 1)	357,707,375	Long	Interest of spouse	33.00%
Mr. Zhan Guo Tuan (Note 2)	60,000,000	Long	Beneficial owner	5.54%
Mrs. Lin Zhen Jin (Note 2)	60,000,000	Long	Interest of spouse	5.54%
Rubyland Investments Limited (Note 3)	60,000,000	Long	Beneficial owner	5.54%

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Mr. Lau Kim Hung, Jack (Note 4)	66,900,000	Long	Beneficial owner	6.17%
Mrs. Chan Yiu Kan, Katie (Note 4)	66,900,000	Long	Interest of spouse	6.17%

Notes:

- (1) The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Marshal International Investments Limited which is in turn 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 and 136,546,875 shares and 1,700,000 share options and 98,500,000 convertible preference shares beneficially held by Mr. Yung Kwok Leong in personal capacity.
- (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.
- (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.
- (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 British Virgin Islands with limited liability which 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 31 December 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 31 December 2012, there were 110,951,287 outstanding share options, of which, were granted pursuant to the Post-IPO share option schemes adopted on 20 April 2002 and 10 August 2011. A breakdown setting out the number of outstanding share options, their respective exercise prices and respective exercise periods under the Post-IPO schemes were as follows:

Post-IPO share option schemes

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. 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

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
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
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	21,574,648
	1 January 2012 to 31 December 2013	HK\$0.16	49,500,000
Total			<u><u>110,951,287</u></u>

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

During the nine months ended 31 December 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

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 directors throughout the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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.

PRE-EMPTIVE RIGHTS

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

REMUNERATION COMMITTEE

The remuneration committee consists of four members and was established on 3 June 2005 in compliance with the code provisions. 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 nine months ended 31 December 2012 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 were made.

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

Hong Kong, 08 February 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, 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 at www.hkgem.com 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.