



**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 REPORT

**2013/2014**

\*For identification purpose only

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 report 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 report 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 report misleading.*



## HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$600.901 million for the three months ended 30 June 2013 as compared to a total turnover of approximately HK\$483.362 million recorded in the corresponding period in 2012, representing a significant increase of about 24.32%.
- The Group has recorded profit attributable to owners of the Company for the three months ended 30 June 2013 of approximately HK\$14.204 million as compared to the profit attributable to owners of approximately HK\$11.669 million recorded in the corresponding period in 2012, representing an increase of about 21.72%.
- The basic and diluted earnings per share of the Company for the three months ended 30 June 2013 were approximately HK1.201 cents and HK1.185 cents respectively (2012: approximately HK0.987 cents and HK0.983 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 2013 (2012: 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 2013, together with the unaudited comparative figures for the corresponding period in year 2012, as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2013

	Note	Three months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Turnover</b>	3	<b>600,901</b>	483,362
Cost of sales		<u>(535,747)</u>	<u>(427,461)</u>
Gross profit		<b>65,154</b>	55,901
Other income		<b>2,824</b>	4,402
Selling and distribution expenses		<u>(24,687)</u>	<u>(22,836)</u>
Administrative expenses		<u>(17,391)</u>	<u>(15,603)</u>
<b>Profit from operations</b>		<b>25,900</b>	21,864
Finance costs		<u>(2,814)</u>	<u>(3,183)</u>
<b>Profit before taxation</b>		<b>23,086</b>	18,681
Taxation	4	<u>(7,276)</u>	<u>(5,378)</u>
<b>Profit for the period</b>		<u><b>15,810</b></u>	<u>13,303</u>
<b>Other comprehensive income, net of tax:</b>			
Exchange differences arising on translating foreign operations		<u>5,246</u>	<u>(338)</u>
<b>Total comprehensive income for the period</b>		<u><b>21,056</b></u>	<u>12,965</u>



		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2013</b>	2012
		<b>HK\$'000</b>	HK\$'000
	Note	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>14,204</b>	11,669
Non-controlling interests		<b>1,606</b>	1,634
		<b>15,810</b>	13,303
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>18,856</b>	11,355
Non-controlling interests		<b>2,200</b>	1,610
		<b>21,056</b>	12,965
<b>Dividends</b>	7	–	–
<b>Earnings per share attributable to the owners of the Company</b>			
– Basic	5	<b>HK1.201 cents</b>	HK0.987 cents
– Diluted	5	<b>HK1.185 cents</b>	HK0.983 cents

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

*For the three months ended 30 June 2013*

## 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 Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (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 provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses 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 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a 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 2013 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2013 (the “2012/2013 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 2012/2013 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 reclassified to conform 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 are as follows:

	<b>Three months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Turnover		
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	<b>562,361</b>	449,860
Provision of general hospital services	<b>38,540</b>	33,502
	<b>600,901</b>	483,362

### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2012: 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 the provision of general hospital services in the PRC (2012: approximately 25%).

### 5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2013 was based on the profit for the period attributable to owners of the Company of approximately HK\$14.204 million (2012: approximately HK\$11.669 million) and on the weighted average number of 1,182,438,264 shares (2012: 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 2013, the Company had a category of dilutive potential ordinary shares: share options. For the three months ended 30 June 2013 and 2012, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 30 June 2013 and 2012 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

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.

	<b>Three months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<hr/>		
Profit attributable to owners of the Company		
– Profit for the purpose of diluted earnings per share	<b>14,204</b>	11,669
	<hr/>	<hr/>
	<b>2013</b>	2012
<hr/>		
Weighted average number of ordinary shares in issue	<b>1,182,438,264</b>	1,182,438,264
Adjustments for assumed exercise of share options	<b>16,591,974</b>	4,778,571
Adjustments for assumed conversion of convertible note	<b>3,421,053</b>	3,421,053
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,199,030,238</b>	1,187,216,835
	<hr/>	<hr/>
	<b>2013</b>	2012
<hr/>		
Diluted earnings per share	<b>HK1.185 cents</b>	HK0.983 cents
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## 6. Capital and reserve (unaudited)

	Attributable to owners of the Company											
	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 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	-	-	-	-	-	-	-	-	11,669	11,669	1,634	13,303
Exchange difference on translating foreign operations	-	-	-	-	(314)	-	-	-	-	(314)	(24)	(338)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,397)	(3,397)
At 30 June 2012	11,824	190,250	579,395	(6,735)	23,832	14,862	2,537	17,465	76,808	910,238	39,374	949,612
At 1 April 2013	11,824	190,250	579,395	(6,735)	26,304	16,146	2,537	25,454	99,890	945,065	40,974	986,039
Profit for the period	-	-	-	-	-	-	-	-	14,204	14,204	1,606	15,810
Exchange difference on translating foreign operations	-	-	-	-	4,625	-	-	-	-	4,625	594	5,246
At 30 June 2013	11,824	190,250	579,395	(6,735)	30,945	16,146	2,537	25,454	114,094	963,921	43,174	1,007,095

### Notes:

- (a) As at 30 June 2013, the total issued share capital of the Company was approximately HK\$11.824 million (2012: approximately HK\$11.824 million) divided into 1,083,938,264 ordinary shares and 98,500,000 non-voting convertible preference shares (2012: 1,030,938,264 ordinary shares and 151,500,000 non-voting convertible preference shares) of HK\$0.01 each (2012: 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 net 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 of directors and by the relevant authority, to offset accumulated losses or increase capital.
- (d) The increase in capital reserve amounting to approximately HK\$579,395,000 of the Group as the result of 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 2013 (2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the three months ended 30 June 2013, the Group recorded a turnover on business operations of approximately HK\$600.901 million (2012: approximately HK\$483.362 million), representing a significant increase of about 24.32% compared to the same period last year. The rise in turnover was driven by the increasing demand for the provision of general hospital services and the sales from the pharmaceutical, wholesale, distribution and pharmaceutical chain business in PRC.

Selling and distribution expenses for the three months ended 30 June 2013 amounted to approximately HK\$24.687 million (2012: approximately HK\$22.836 million), representing an increase of about 8.11% compared to the same period last year. The increase was related to rise in staff costs and advertising expenses incurred for the expansion of the business scale.

Administrative expenses for the three months ended 30 June 2013 amounted to approximately HK\$17.391 million (2012: approximately HK\$15.603 million), rising about 11.46%. The increment was mainly related to the staff cost incurred as a result of continuing business developments.

Due to the combined factors as stated above, the Group reported a profit attributable to owners of the Company of approximately HK\$14.204 million for the three months ended 30 June 2013 (2012: approximately HK\$11.669 million), representing an increase of about 21.72% compared to the same period last year.

### Business Review and Outlook

#### General hospital services

During the three months ended 30 June 2013, the Group operated two general hospitals in Chongqing and Jiaxing and managed 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 turnover generated from the provision of general hospitals services for the three months ended 30 June 2013 was approximately HK\$38.540 million (2012: approximately HK\$33.502 million).



## Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

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 2013 was approximately HK\$562.361 million (2012: approximately HK\$449.860 million).

## Future Prospects

The management of the Group has realized the potential opportunities in the field and continued to address the needs of the market and the public through refined services and quality products. For the hospitals, we believe that the key to the success lies in the well trained staff and standardized medical services. In addition to cultivating the new services implemented at the hospitals, the management has focused on the improved delivery procedures and patient oriented care. Our hospitals have well established themselves in their each local market in the both brands and competitiveness. The challenge to a steady and more profitable growth is to strengthen the brands by increasing patients' satisfaction and adapting the affordable quality service approaches. All of those will help the hospitals achieve further penetration into the fast growing healthcare market.

For the pharmaceutical business, the market consolidation has continued at national and local levels, providing promising opportunities for the large scale of operations like the Group. Among many of favorable trends, we see a large room for the development of our distributions businesses at hospital levels and also at retail. The unique composition of the Group in this business allows us to take the advantage of the both policy and market growth. We will continue to see the strong growth of drug delivery to hospitals and wholesales segments while the expansion of retails drugstores will enlarge the market shares in the year 2013/14.

The new financial year 2013/14 will reach the late part of the 12th Five Year Plan in China, and the Group will begin to achieve the fruitful performances supported by the early financial and technical investments and preparation for the both businesses. Therefore, the management of the Group will make great efforts to leverage the well recognized brands of the hospitals and pharmaceutical distribution to maintain our steady increase and to improve the profitability of our core healthcare operations.

## 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 report, 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.

On 10 April 2013, the Company entered into the non-redeemable convertible preference share (“CPS”) subscription agreement with Mr. Yung Kwok Leong (“Mr. Yung”), pursuant to which, Mr. Yung has agreed to subscribe for and the Company has agreed to issue the 504,201,680 non-redeemable convertible preference shares at the total issue price of HK\$120 million which will be satisfied by setting off against HK\$120 million principal amount of the promissory note (the “Subscription”).

Up to the date of this report, the Subscription is still subject to fulfilment of conditions precedent, details of the transaction are set out in the Company’s announcement dated 10 April 2013.

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 30 June 2013, 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	11.16%
	Personal interest (Note 2)	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 2014	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 2013, 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 2013, 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
Marshal International Investments Limited <i>(Note 1)</i>	120,960,500	Long	Beneficial owner	11.16%
Easeglory Holdings Limited <i>(Note 1)</i>	120,960,500	Long	Beneficial owner	11.16%
Mrs. Yung Muk Ying <i>(Note 1)</i>	861,909,055	Long	Interest of spouse	79.52%
Mr. Zhan Guo Tuan <i>(Note 2)</i>	60,000,000	Long	Beneficial owner	5.54%
Mrs. Lin Zhen Jin <i>(Note 2)</i>	60,000,000	Long	Interest of spouse	5.54%
Rubyland Investments Limited <i>(Note 3)</i>	60,000,000	Long	Beneficial owner	5.54%
Mr. Lau Kim Hung, Jack <i>(Note 4)</i>	66,900,000	Long	Beneficial owner	6.17%
Mrs. Chan Yiu Kan, Katie <i>(Note 4)</i>	66,900,000	Long	Interest of spouse	6.17%

*Note 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, 136,546,875 shares, 1,700,000 share options, 98,500,000 convertible preference shares and the 504,201,680 convertible preference shares (to be issued upon completion of the subscription agreement dated 10 April 2013) 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 Zhan 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 2013, 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 2013, there were 110,951,287 outstanding share options, of which, 44,051,287 and 66,900,000 share options were granted pursuant to the Post-IPO share option schemes adopted on 20 April 2002 and 10 August 2011 respectively. 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
<b>Directors</b>			
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
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	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
<b>Directors</b>			
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 2014	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>110,951,287</u>



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

During the three months ended 30 June 2013, 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.

## **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 enquiries of all directors of the Company and the directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance throughout the three months ended 30 June 2013.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2013 except for the following deviation:

- (i) The code provision A.2.1 of the CG 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 2013, 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 comprised 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 main responsibilities of the Nomination Committee are to review the structure, size and composition, including the skills, knowledge and experience of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitable qualified to become directors and select, or make recommendations to the Board for directorships.



## AUDIT COMMITTEE

The Company established the 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 2013 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, 12 August 2013