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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

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 Stock 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.

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*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2014 is as follows:

- Total turnover was approximately HK$2,243.159 million (2013: approximately HK$2,020.589 million), representing approximately 11.02% of growth over 2013. The rise in the turnover was driven by the increase demand for the provision of general hospital services and the sales from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the People's Republic of China.

- Gross profit was approximately HK$269.003 million (2013: approximately HK$238.862 million), with gross profit margin maintained at a similar level as 2013.

- Net profit attributable to owners of the Company was approximately HK$21.913 million (2013: approximately HK$42.740 million), representing approximately 48.73% decrease as compared to the previous year. The decrease was mainly contributed by (1) the loss on early redemption of promissory note and (2) the related expenses incurred for the Group's spin-off project of approximately HK$4.755 million. By excluding such effects, the Group recorded a decrease in profit attributable to the owners of the Company of approximately 18.47% compared to last year.

  This decrease was due to the reduction of the Company's equity interest in the pharmaceutical wholesale and pharmaceutical retail business operated under Wanjia Group (from approximately 100% to approximately 65.53% immediate upon completion of the distribution on 10 October 2013) and in turns results in deduction of the profit attributable to owner of the Company.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hua Xia Healthcare Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*6*	**2,243,159**	2,020,589
Cost of sales		**(1,974,156)**	(1,781,727)
Gross profit		**269,003**	238,862
Other revenue	*6*	**10,258**	10,376
Other income	*7*	**1,360**	1,153
Selling and distribution expenses		**(94,873)**	(79,677)
Administrative expenses		**(92,316)**	(86,354)
Loss on early redemption of promissory note		**(16,269)**	(1,389)
Profit from operations	*7*	**77,163**	82,971
Finance costs	*8*	**(10,493)**	(10,288)
Profit before taxation		**66,670**	72,683
Taxation	*9*	**(29,216)**	(22,141)
Profit for the year		**37,454**	50,542
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**7,284**	2,441
Total comprehensive income for the year		**44,738**	52,983

	Note	**2014**	2013
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**21,913**	42,740
Non-controlling interests		**15,541**	7,802
		37,454	50,542
Total comprehensive income for the year attributable to:			
Owners of the Company		**28,398**	44,898
Non-controlling interests		**16,340**	8,085
		44,738	52,983
Earnings per share attributable to owners of the Company			
– Basic (HK cents per share)	*10*	**1.52**	3.61
– Diluted (HK cents per share)	*10*	**1.52**	3.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**36,374**	36,421
Prepaid lease payments		**31,365**	32,036
Investment properties		**8,306**	8,157
Goodwill		**788,420**	788,420
		864,465	865,034
Current assets			
Inventories		**133,939**	124,038
Trade and other receivables and deposits	*12*	**528,144**	505,807
Financial assets at fair value through profit or loss		**1,259**	–
Derivative financial instruments		**384**	69
Pledged bank deposits		**17,431**	3,609
Cash and bank balances		**92,418**	79,980
		773,575	713,503
Total assets		**1,638,040**	1,578,537
EQUITY			
Capital and reserves			
Share capital		**17,562**	11,824
Reserves		**706,691**	933,241
Equity attributable to the owners of the Company		**724,253**	945,065
Non-controlling interests		**426,170**	40,974
Total equity		**1,150,423**	986,039

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**310,259**	331,669
Bank borrowings		**88,088**	50,672
Amounts due to non-controlling shareholders		**1,213**	1,053
Tax payables		**11,258**	11,352
		410,818	394,746
Non-current liabilities			
Convertible note		**5,012**	4,627
Promissory note		**71,361**	192,635
Deferred taxation		**426**	490
		76,799	197,752
Total liabilities		**487,617**	592,498
Total equity and liabilities		**1,638,040**	1,578,537
Net current assets		**362,757**	318,757
Total assets less current liabilities		**1,227,222**	1,183,791

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note (c))*	Other reserve *HK$'000* *(Note (g))*	Special reserve *HK$'000* *(Note (a))*	Translation reserve *HK$'000* *(Note (d))*	Share-based payment reserve *HK$'000* *(Note (e))*	Convertible note reserve *HK$'000* *(Note (f))*	Statutory reserve *HK$'000* *(Note (b))*	Retained profits *HK$'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
Other comprehensive income for the year, net of tax													
Exchange difference on translating foreign operations	–	–	–	–	–	2,158	–	–	–	–	2,158	283	2,441
Profit for the year	–	–	–	–	–	–	–	–	–	42,740	42,740	7,802	50,542
Total comprehensive income for the year	–	–	–	–	–	2,158	–	–	–	42,740	44,898	8,085	52,983
Issue of share options	–	–	–	–	–	–	1,284	–	–	–	1,284	–	1,284
Transfer to statutory reserves	–	–	–	–	–	–	–	–	7,989	(7,989)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,272)	(8,272)
At 31 March 2013 and 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
Other comprehensive income for the year, net of tax													
Exchange difference on translating foreign operations	–	–	–	–	–	6,485	–	–	–	–	6,485	799	7,284
Profit or the year	–	–	–	–	–	–	–	–	–	21,913	21,913	15,541	37,454
Total comprehensive income for the year	–	–	–	–	–	6,485	–	–	–	21,913	28,398	16,340	44,738
Issue of non-redeemable convertible preference shares	5,042	114,958	–	–	–	–	–	–	–	–	120,000	–	120,000
Exercise of share options	696	11,761	–	–	–	–	(427)	–	–	–	12,030	–	12,030
Lapse of share options	–	–	–	–	–	–	(74)	–	–	74	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	11,625	(11,625)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(4,731)	(4,731)
Dividend by way of a distribution in specie	–	–	(283,785)	(89,802)	–	–	–	–	–	–	(373,587)	373,587	–
Professional expenses incurred in connection with issuance of new shares of a subsidiary	–	–	–	(7,653)	–	–	–	–	–	–	(7,653)	–	(7,653)
At 31 March 2014	**17,562**	**316,969**	**295,610**	**(97,455)**	**(6,735)**	**32,789**	**15,645**	**2,537**	**37,079**	**110,252**	**724,253**	**426,170**	**1,150,423**

Notes:

(a) The increase in 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 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.

(b) As stipulated by the relevant People's Republic of China ("**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.

(c) The increase in capital reserve amounting to approximately HK$579,395,000 of the Group as the result of capital reduction taken by the Company during the year ended 31 March 2012.

The decrease in capital reserve amounting to approximately HK$283,785,000 during the year ended 31 March 2014 represented special interim dividend paid in specie in connection with the separate listing of shares of Wanjia Group Holdings Limited ("**Wanjia Group**"), a subsidiary of the Company, on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2013.

(d) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies of the Group.

(e) The share-base payment reserve represents the fair value of services estimated to be received in exchange the grant of the relevant options over the relevant vesting periods, the total of which is based on the fair value of the options at grant date. The amount is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

The share-base payment reserve which is expired would be released directly to retained profits.

(f) The convertible note reserve represents the equity components of the convertible note issued. Convertible note issued are split into their liability and equity components at initial recognition at the fair values of the convertible note, which is determined by independent qualified professional valuers.

(g) The decrease in other reserve of approximately HK$89,802,000 during the year ended 31 December 2014 represented the difference between the amount of special interim dividend paid in specie and the non-controlling interests' share of net assets of Wanjia Group pursuant to the separate listing of shares of Wanjia Group.

The decrease in other reserve of approximately HK$7,653,000 during the year ended 31 March 2014 represented the capitalised listing expenses arised from the separate listing of shares of Wanjia Group.

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. 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$**"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("**RMB**"). The directors of the Company considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the GEM board of the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

2. REORGANISATION

In the preparation for the listing of shares of Wanjia Group on the Main Board of the Stock Exchange on 11 October 2013, the Group underwent a corporate reorganisation (the "**Reorganisation**") and as a result of which Wanjia Group became the holding company of certain subsidiaries of the Company. The Reorganisation included the following principal steps:

(a) incorporation of Luxuriant Expand Global Investments Limited ("**Luxuriant Expand**") on 10 April 2012 and allotment and issue of 100 ordinary shares of Luxuriant Expand to the Company at par on 4 July 2012;

(b) incorporation of the Wanjia Group on 9 July 2012 in the Cayman Islands and transfer of the Incorporation Share from Codan Trust Company (Cayman) Limited to Greatly Wealth Global Group Limited ("**Greatly Wealth**") at nil consideration;

(c) acquisition of 1 ordinary share, representing the entire issued share capital in Timely Hero Enterprises Limited ("**Timely Hero**"), by Luxuriant Expand from the Company on 3 September 2013 in consideration of the allotment and issue of 200 shares of US$1 each in Luxuriant Expand, all credited as fully paid up, to the Company;

(d) capitalisation of the outstanding amount of approximately HK$866,811,000 due from Timely Hero to the Company on 3 September 2013 in consideration of (i) the allotment and issue of 1 share of US$1 in the share capital of Timely Hero to Luxuriant Expand, credited as fully paid up, at the direction of the Company; and (ii) the allotment and issue of a total of 100 shares of US$1 each in the share capital of Luxuriant Expand, all credited as fully paid up, to the Company in consideration of its receipt of 1 share in Timely Hero at the direction of the Company; and

(e) acquisition of 300 shares in Luxuriant Expand, representing its entire issued share capital by the Wanjia Group from the Company on 3 September 2013 in consideration of (i) the allotment and issue of 648,405,299 shares, all credited as fully paid up, to Greatly Wealth at the direction of the Company and the crediting as fully paid at par of the Incorporation Share registered in the name of Greatly Wealth; and (ii) the allotment and issue of 100 shares of US$1 each in the share capital of Greatly Wealth, all credited as fully paid up, to the Company in consideration of its receipt of 648,405,299 shares from the Wanjia Group at the direction of the Company.

Upon the completion of the Reorganisation, Wanjia Group became the holding company of Luxuriant Expand, Timely Hero, Nurture Fit Limited ("**Nurture Fit**"), Hui Hao (HK) Group Limited ("**Hui Hao (HK)**"), Fujian Huihao Sihai Pharmaceutical Chain Company Limited ("**Huihao Sihai**"), Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd ("**Fuzhou Huihao**"), Putian Huihao Medicine Co. Ltd ("**Putian Huihao**"), Fujian Huiming Medicine Co. Ltd ("**Fujian Huiming**") and Huihao Medicine (Quanzhou) Co. Ltd. ("**Quanzhou Huihao**"). The Reorganisation became effective on 3 September 2013.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied all of the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for the Group's financial year beginning on or after 1 April 2013, and the amendments to HKAS 36 which are mandatory for accounting periods beginning on or after 1 January 2014.

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has early applied HKAS 36 (Amendments) *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for annual periods beginning on or after 1 January 2014.

The impact on application of these new and revised HKFRSs is described below.

Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 *Presentation of Financial Statements*;

- amendments to HKAS 16 *Property, Plant and Equipment*; and

- amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 *Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

Except for the above, the application of these new and revised HKFRSs had no material impact on the Group's consolidated financial performance and positions for the current and prior years. Accordingly, no prior period adjustments had been required.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[4]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

[1] effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

[2] effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

[3] effective for annual periods beginning on or after 1 July 2014, with limited exceptions

[4] no mandatory effective date yet determined but is available for adoption

[5] effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 *Offsetting Financial Assets and Financial Liabilities* and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *Investment Entities*

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) – Int 21 *Levies*

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statement have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual 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**") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including derivative financial instruments) and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange for assets.

The Group has consistently applied its accounting policies to all the years presented, unless otherwise stated, in the preparation of the consolidated financial statements.

5. SEGMENT INFORMATION

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group has merged its organisation into two operating divisions: provision of general hospital services, and pharmaceutical wholesale and distribution and pharmaceutical retail chain business. The chief operating decision maker has decided to combine the provision of general hospital service and the provision of healthcare and hospital management services into one single operation division in order to manage and review the performance of the hospital related business more efficiently. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

2014

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	**150,685**	**2,092,474**	**–**	**2,243,159**
Inter-segment sales	**–**	**3,981**	**(3,981)**	**–**
Total turnover	**150,685**	**2,096,455**	**(3,981)**	**2,243,159**

Inter-segment sales are charged at arm's length

Results				
Segment results	**15,591**	**86,991**	**–**	**102,582**
Unallocated other revenue and income				**322**
Loss on early redemption of promissory note				**(16,269)**
Unallocated corporate expenses				**(9,472)**
Profit from operations				**77,163**
Finance costs				**(10,493)**
Profit before taxation				**66,670**
Taxation				**(29,216)**
Profit for the year				**37,454**

Segment assets and liabilities

2014

	Provision of general hospital services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Consolidated HK$'000
Consolidated statement of financial position			
Assets			
Segment assets	190,394	1,429,758	1,620,152
Unallocated corporate assets			17,888
Consolidated total assets			1,638,040
Liabilities			
Segment liabilities	22,982	381,956	404,938
Promissory note			71,361
Convertible note			5,012
Deferred taxation			426
Unallocated corporate liabilities			5,880
Consolidated total liabilities			487,617

	Provision of general hospital services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information				
Capital expenditure*	4,883	5,263	7	10,153
Depreciation	6,887	3,653	11	10,551
Amortisation of prepaid lease payments	1,069	188	–	1,257
Gain/(loss) on disposal of property, plant and equipment	325	(26)	–	299
Impairment loss recognised in respect of trade and other receivables	1,329	518	16	1,863
Reversal of impairment loss recognised in respect of trade and other receivables	–	746	–	746
Change in fair value of derivative financial instruments	–	–	315	315

* *Capital expenditure consists of additions to property, plant and equipment.*

Segment revenue and results

2013

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	141,525	1,879,064	–	2,020,589
Inter-segment sales	–	6,305	(6,305)	–
Total turnover	141,525	1,885,369	(6,305)	2,020,589

Inter-segment sales are charged at arm's length

Results				
Segment results	21,065	74,369	–	95,434
Unallocated other revenue and income				–
Loss on early redemption of promissory note				(1,389)
Unallocated corporate expenses				(11,074)
Profit from operations				82,971
Finance costs				(10,288)
Profit before taxation				72,683
Taxation				(22,141)
Profit for the year				50,542

Segment assets and liabilities

2013

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Consolidated *HK$'000*
Consolidated statement of financial position			
Assets			
Segment assets	178,324	1,390,470	1,568,794
Unallocated corporate assets			9,743
Consolidated total assets			1,578,537
Liabilities			
Segment liabilities	23,116	367,234	390,350
Promissory note			192,635
Convertible note			4,627
Deferred taxation			490
Unallocated corporate liabilities			4,396
Consolidated total liabilities			592,498

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other information				
Capital expenditure*	7,026	2,276	–	9,302
Depreciation	6,193	3,932	420	10,545
Amortisation of prepaid lease payments	1,042	182	–	1,224
Loss on disposal of property, plant and equipment	–	276	–	276
Impairment loss recognised in respect of trade and other receivables	–	989	–	989
Reversal of impairment loss recognised in respect of trade and other receivables	75	476	–	551
Change in fair value of investment properties	–	492	–	492
Change in fair value of derivative financial instruments	–	–	92	92

* *Capital expenditure consists of additions to property, plant and equipment and prepaid lease payments.*

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit generated by each segment without allocation of finance costs, loss on early redemption of promissory note, other corporate revenue, income and expenses and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets. Unallocated corporate assets mainly include part of property, plant and equipment, cash and bank balances of the central administration companies. Goodwill is allocated to reportable segments.

- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, promissory note, convertible note and deferred taxation. Unallocated corporate liabilities mainly include the accruals and other payables of the central administration companies.

Geographical information

The Group's operations are mainly located in the PRC. All of the Group's turnover is derived from customers based in the PRC.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**412**	416
PRC	**864,053**	864,618
	864,465	865,034

Information about major customers

For the years ended 31 March 2014 and 2013, no single customer contributed 10% or more to the Group's turnover.

Revenue from major services and products

The Group's revenue from its major services and products was stated in Note 6 to the consolidated financial statements.

6. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of the net invoiced value received and receivable from third parties in connection with the retail and wholesale and distribution of pharmaceutical products, provision of general hospital services and healthcare and hospital management services, after allowances for returns and trade discounts. An analysis of the Group's turnover and other revenue is as follows:–

	2014	2013
	HK$'000	*HK$'000*
Turnover:		
Retail of pharmaceutical and related products	**238,100**	212,521
Wholesale and distribution of pharmaceutical and related products	**1,854,374**	1,666,543
Provision of general hospital services	**150,685**	141,525
	2,243,159	2,020,589
Other revenue:		
Bank interest income	**925**	717
Realised gain on financial assets at fair value through profit or loss	**117**	–
Loan interest income	**2,390**	2,323
Rental income	**2,373**	1,410
Exhibition income	**2,816**	4,505
Sundry income	**1,637**	1,421
	10,258	10,376

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Impairment loss recognised in respect of trade and other receivables	**1,863**	989
Amortisation of prepaid lease payments	**1,257**	1,224
Depreciation of property, plant and equipment – owned by the Group	**10,551**	10,545
Loss on disposal of property, plant and equipment	**–**	276
and after crediting:		
Other income:		
Exchange gain	**–**	110
Change in fair value of investment properties	**–**	492
Gain on disposal of property, plant and equipment	**299**	–
Change in fair value of derivative financial instruments	**315**	–
Reversal of impairment loss recognised in respect of trade and other receivables	**746**	551
	1,360	1,153

8. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
– interest expenses on bank borrowings wholly repayable within five years	**6,015**	4,090
– interest expenses on convertible note	**515**	475
– interest expenses on promissory note	**3,963**	5,723
	10,493	10,288

9. TAXATION

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year as the Group has no assessable profits arising in Hong Kong (2013: Nil). Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014	2013
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year		
– The PRC	**25,746**	22,581
Under provision in prior year:		
– The PRC	**1,151**	229
Withhold tax paid/(refund)	**2,383**	(612)
Deferred tax during the year	**(64)**	(57)
	29,216	22,141

The National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit for the purpose of basic and diluted earnings per share		
– Profit for the year attributable to the owners of the Company	**21,913**	42,740
	No. of shares	*No. of shares*
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share		
– Ordinary shares in issue	**1,103,672**	1,063,444
– Preference shares in issue	**336,096**	118,994
	1,439,768	1,182,438
Effect of dilutive potential ordinary shares:		
– Share options issued by the Company	**–**	16,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,439,768**	1,198,939

For the year ended 31 March 2014, the calculation of diluted earnings per share did not assume the exercise of the Convertible Note and outstanding share options under the New Share Option Scheme existed at 31 March 2014 as the exercise of the Convertible Note and the post-listing share options would increase earnings per share, and therefore are anti-dilutive.

For the year ended 31 March 2013, the calculation of diluted earnings per share did not assume the exercise of the Convertible Note existed at 31 March 2013 as the exercise of the Convertible Note would increase earnings per share, and therefore is anti-dilutive.

11. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year		
2013/14 special interim dividend of HK$1.20 per share	**283,785**	–

On 16 August 2013, a conditional special interim dividend was declared by the Board to be satisfied through a distribution in species by the Company of approximately 36.47% of the issued share capital of the Wanjia Group after the capitalisation and reorganisation, subject to the spin-off condition (that is the listing sub-committee of the board of the Stock Exchange granting the listing of, and permission to deal in, the shares of Wanjia Group on the Stock Exchange) (the "**Distributions**").

The listing approval was obtained on 10 October 2013, and on the same date, approximately 36.47% of the shares of Wanjia Group were distributed to the owners of the Company pursuant to the Distributions and the shares of Wanjia Group were listed on the Main Board of the Stock Exchange on 11 October 2013.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**284,223**	358,812
Bill receivables	**7,748**	7,490
Prepayments and deposit paid	**140,693**	68,747
Prepaid lease payments	**1,255**	1,233
Other receivables	**101,789**	75,966
	535,708	512,248
Less: Impairment loss recognised in respect of other receivable	**(7,564)**	(6,441)
	528,144	505,807

Payment terms with customers from the pharmaceutical wholesale and distribution and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. Payment terms with customers from general hospital and healthcare and hospital management services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**227,618**	293,405
91 to 180 days	**28,337**	59,004
181 to 365 days	**16,002**	3,931
Over 365 days	**14,092**	4,164
	286,049	360,504
Less: Impairment loss recognised in respect of trade receivables	**(1,826)**	(1,692)
	284,223	358,812

13. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**204,136**	292,647
Bills payables	**36,070**	4,350
Receipts in advance	**22,989**	3,030
Accruals and other payables	**47,064**	31,642
	310,259	331,669

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**137,660**	164,093
91 to 180 days	**16,007**	59,166
181 to 365 days	**19,058**	54,548
Over 365 days	**31,411**	14,840
	204,136	292,647

The average credit period on purchases of certain goods is in range from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

The Group successfully spun-off the pharmaceutical wholesale, distribution and pharmaceutical retail chain business operated under the Wanjia Group Holdings Limited ("**Wanjia Group**") on 10 October 2013.

Turnover

Looking back at 2013/14, the Group's revenue experienced steady growth. The Group recorded revenue of approximately HK$2,243.159 million (2013: approximately HK$2,020.589 million) for the year ended 31 March 2014, accounting for an increase of approximately 11.02% over last year. The gross profit margin of the Group was approximately 12%, which maintained at a similar level as in 2013.

General hospital services

During the year ended 31 March 2014, 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 management envisions more diversified hospital services readily available to satisfy various needs of the public in the next few years, from the common illness treatments to the care of special and difficult disease. Therefore the Group will continue to allocate resources to develop those services either from our existing hospitals or through collaboration. The turnover generated from general hospital services amounted to approximately HK$150.685 million (2013: approximately HK$141.525 million), representing a steady increase of approximately 6.47% over last year.

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The Group engages in the wholesale, distribution of a board range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC through its subsidiary – Wanjia Group Holdings Limited. The Group's pharmaceutical retail chain operation has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within Fujian Province, as ranked by the independent associations in the PRC. The Group continues to allocate resources and to look for business opportunities to expand the pharmaceutical wholesale, distribution and retail chain businesses. Turnover generated from pharmaceutical wholesales, distribution and pharmaceutical retail chain business amounted to approximately HK$2,092.474 million (2013: approximately HK$1,879.064 million), representing approximately 11.36% of growth over 2013 and accounted for approximately 93% of the Group's turnover. The increase was primarily due to the broadened revenue base from a further diversified product portfolio.

Other revenue

Other revenue, primarily including exhibition income, rental income, interest income from bank deposits and interest income from loan receivables, amounted to approximately HK$10.258 million (2013: approximately HK$10.376 million) for the year ended 31 March 2014, which maintained at similar level as in 2013.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (1) salaries and wages of sales and marketing personnel, (2) rental expenses and (3) transportation expenses. For the year ended 31 March 2014, selling and distribution expenses amounted to approximately HK$94.873 million (2013: approximately HK$79.677 million), representing an increase of approximately 19.07% over the same period of last year. More selling and distribution expenses incurred due to increase in both the number of sales and marketing personnel employed by the Group and the number of retail pharmacies during the year.

Administrative expenses

Administrative expenses for the year ended 31 March 2014 amounted to approximately HK$92.316 million (2013: approximately HK$86.354 million), representing an increase of approximately 6.90% over last year. The increment was mainly contributed by the Group's spin-off project expenses and the expansion of the Group's scale of operation.

Finance costs

For the year ended 31 March 2014, the finance costs of the Group were approximately HK$10.493 million (2013: approximately HK$10.288 million), representing an increase of approximately 2% over the last year.

This is due to the combine effect of decrease of finance costs incurred as a result of early redemption of the promissory note and increased average outstanding amounts of bank loan during the year.

Profit attributable to owners of the Company

The Group recorded a net profit attributable to the owners of the Company of approximately HK$21.913 million (2013: approximately HK$42.740 million), representing approximately 48.73% decrease as compared to the previous year. The decrease was mainly contributed by (1) the loss on early redemption of promissory note and (2) the related expenses incurred for the Group's spin-off project of approximately HK$4.755 million. By excluding such effects, the Group recorded a decrease in profit attributable to the owners of the Company of approximately 18.47% compared to last year.

This decrease was due to the reduction of the Company's equity interest in the pharmaceutical wholesale and pharmaceutical retail business operated under Wanjia Group (from approximately 100% to approximately 65.53% immediate upon completion of the distribution on 10 October 2013) and in turns results in deduction of the profit attributable to the owner of the Company.

OUTLOOK AND FUTURE PROSPECTS

Since the State Council of PRC released its guidance on the development of the healthcare services in China on Oct 14, 2013, we have seen more concrete measures released by different levels of the government to further implement the opening policy of attracting social investments from both home and abroad. One significant step is to loosen up the price control over the services provided by the private hospitals in China, thus further stimulating the interest in expanding hospital services. The latest healthcare statistics published by the government show that while the public funding have been on hold to build up more hospitals, the private hospitals have increased significantly comparison with what it was a year ago. At the same time, services provided by the private hospitals have been well recognized by the public as being supplementary to the basic services by the state owned hospitals. The role of private hospitals is seen as more important as the public hospitals in terms of delivering the needed services.

The management of the Group believes that the changing healthcare industry has provided ample opportunities for further expansion, especially in the provision of general hospital services and premium specialized services as well. Therefore, the Group will positions itself as one of the first premium healthcare providers in the mainland China and add more resources to strengthen its branding and networks.

For the hospitals, while we are adjusting our marketing strategies to address the ever increasing needs for quality services, we also continue to seek opportunities to participate in the expansion of the private hospitals and the reform of the public hospitals as well. 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.

The new financial year 2014/15 is considered as a year when the healthcare expenditures and services are to grow in line with the economic development in China. This special time sets up the path for the Company to further explore the potential in China and also will witness the noticeable outcomes of the Hua Xia branding, representing the quality, accessibility and credibility in the local markets from Chongqing to Jiaxing of Jiangsu. The healthcare reform will also produce the tangible economic results for those who have long invested in the services, education, quality and trust.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately HK$92.418 million as at 31 March 2014 (2013: approximately HK$79.980 million).

The Group recorded total current assets of approximately HK$773.575 million as at 31 March 2014 (2013: approximately HK$713.503 million) and total current liabilities of approximately HK$410.818 million as at 31 March 2014 (2013: approximately HK$394.746 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.883 as at 31 March 2014 (2013: approximately 1.807).

As at 31 March 2014, the Group's gearing ratio was approximately 13% based on outstanding debts (comprising bill payables, bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2013: approximately 18%).

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the directors consider that the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP'S ASSETS

As at 31 March 2014, the Group had bank borrowings outstanding balances and bill payables of approximately HK$88.088 million and HK$36.070 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$17.431 million, HK$1.979 million and HK$8.306 million respectively were pledged as collateral to secure banking facilities granted to the Group.

CAPITAL STRUCTURE

As at 31 March 2014, the total issued share capital of the Company was approximately HK$17.562 million (2013: approximately HK$11.824 million) divided into 1,153,488,264 ordinary shares and 602,701,680 non-voting convertible preference shares (2013: 1,083,938,264 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 (2013: HK$0.01) each.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) provision of general hospital services and (2) pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses. Financial information in respect of these operations is presented in Note 5 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2014 and 2013, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

CAPITAL COMMITMENTS

As at 31 March 2014 and 2013, the Group had no material capital commitment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had 1,720 (2013: 1,754) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	15
PRC (including cities of Chongqing, Jiaxing, Zhuhai and the Fujian Province)	1,705

For the year ended 31 March 2014, staff costs (including directors emoluments) amounted to approximately HK$99.507 million (2013: approximately HK$91.843 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option scheme to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

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

During the year ended 31 March 2014, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

SUBSEQUENT EVENTS

Issue of ordinary shares in respect of exercise of share options

On 4 April 2014, 3,900,000 ordinary shares of the Company of HK$0.01 each have been issued in respect of the exercise of 3,900,000 post-listing share options.

Completion of the proposed acquisition

On 9 April 2014, Wanjia Group, Wanjia Group's wholly owned subsidiary (the "**Purchaser**") and Hui Hao Yi Yao (Xiamen) Company Limited (former name as Xiamen Hui Sheng Yi Yao Company Limited), a PRC pharmaceutical wholesale and distribution corporation, entered into an arrangement agreement in relation to the conditional acquisition of 60% of net assets value of Hui Hao Yi Yao (Xiamen) Company Limited (the "**Proposed Acquisition**") by the Purchaser. The consideration for the acquisition is approximately RMB4.945 million (equivalent to approximately HK$6.204 million). Upon completion of the Proposed Acquisition, Hui Hao Yi Yao (Xiamen) Company Limited will become a 60% owned subsidiary of the Purchaser. The acquisition was completed on 23 April 2014 with all the conditions precedent under the arrangement agreement being fulfilled.

After the acquisition, Wanjia Group has engaged an independent qualified professional valuer to measure the fair value of the property, plant and equipment on the completion date. Since the valuation is still in progress, Wanjia Group is unable to measure any possible goodwill or gain from bargain purchase as at the date of completion. Therefore, the directors considered that it is not practicable to disclose the financial information of Hui Hao Yi Yao (Xiamen) Company Limited on the completion date at this stage.

Legal proceedings

On 12 April 2014, a wholly-owned subsidiary of the Wanjia Group as plaintiff initiated legal proceedings against a customer at the People's Court of Minhou County for a sale and purchase agreement in which the amount is not material.

Disposal of convertible preference shares by substantial shareholder

On 24 April 2014, Mr. Yung and a purchaser, entered into an agreement pursuant to which Mr. Yung agreed to sell and the purchaser agreed to purchase, 343,217,539 convertible preference shares of the Company for a cash consideration of approximately HK$96,101,000. The agreement is unconditional and is signed and completed simultaneously. Details of the transaction are set out in the Company's announcement dated 24 April 2014.

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

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules for the period from 1 April 2013 to 31 March 2014 except for the following deviation:

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 period, 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. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance.

COMPLIANCE WITH THE MODEL CODE FOR 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 period from 1 April 2013 to 31 March 2014.

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. As at the date of this announcement, 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 Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2014 including the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters during the review.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 3 June 2005 in compliance with the code provision. As at the date of this announcement, 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 AND CORPORATE GOVERNANCE COMMITTEE

On 11 February 2014, the Board resolved to establish a Nomination and Corporate Governance Committee in place and stead of the previously Nomination Committee, which was established on 27 March 2012 in compliance with the code provision. As at the date of this announcement, the Nomination and Corporate Governance 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 and Corporate Governance Committee.

The primary duties of the nomination and corporate governance committee include, but are not limited to: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; (iii) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of our shareholders, tenants and professional parties for their continued support. I would also like to extend my appreciation to all of our colleagues for their dedication and hard work.

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

Hong Kong, 25 June 2014

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 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.