THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Hua Xia Healthcare Holdings Limited (the "**Company**"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION; (II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER; (III) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR; AND (IV) NOTICE OF EGM

Financial adviser to the Company

INCU

INCU Corporate Finance Limited

Independent Financial Adviser to the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 23 of this circular. A letter from the Connected Transaction Independent Board Committee is set out on pages 24 to 26 of this circular. A letter from the Whitewash Waiver Independent Board Committee is set out on pages 27 to 29 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders is set out on pages 30 to 46 of this circular.

A notice convening the EGM of the Company to be held at 19/F., New Wing, 101 King's Road, Hong Kong on Friday, 6 March 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

13 February 2015

* *For identification purposes only*

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.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"30% Threshold Restriction"	being one of the conversion restrictions of the CPS-II that no conversion of the CPS-II would be permitted, if the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to CPS-II by the holder(s) of CPS-II together with the Shares already held by the holder(s) and his/her/its/their parties acting in concert represent 30% or more of the then issued ordinary share capital of the Company (or otherwise pursuant to other provisions of the Takeovers Code) and trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the CPS-II
"2014 Announcement"	the announcement of the Company dated 4 December 2014 in relation to, among other things, the possible alteration of the CPS-II Terms and the possible Conversion of the CPS-II involving an application for a Whitewash Waiver
"2015 Announcement"	the announcement of the Company dated 15 January 2015 in relation to, among other things, the connected transaction in relation to the Proposed Alteration and the Conversion of CPS-II involving an application for a Whitewash Waiver
"Beijing Vantone Greatcity"	Beijing Vantone Greatcity Investments Limited# (北京萬通立體之城投資有限公司), a company established in the PRC with limited liability, is owned as to 40.5% indirectly by Mr. Liu, 59% directly by four parties, who are independent of the Company, its connected persons and the Concert Party Group and the remaining 0.5% directly by a director of New Hope Group Co. Ltd. and certain companies under the NH Group
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

"Company"	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8143)
"Concert Party Group"	Mr. Yung, New Hope International, Mr. Liu and parties acting in concert with any of them
"connected person(s)"	has the meanings ascribed to it in the GEM Listing Rules
"Connected Transaction Independent Board Committee"	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the Deed of Amendments, the Proposed Alteration and the transactions contemplated thereunder pursuant to the GEM Listing Rules
"Conversion"	subject to the terms and conditions of the Deed of Amendments, the full conversion of the CPS-II held by each of Mr. Yung and New Hope International
"Conversion Share(s)"	the Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the CPS
"Convertible Note"	the convertible note of the Company with principal amount of HK$6,500,000, which bears interest of 2% per annum, convertible into Shares at the conversion price of HK$1.90 per Share
"CPS"	collectively refer to CPS-I and CPS-II
"CPS-I"	the outstanding 98,500,000 non-redeemable convertible preference shares, which were allotted and issued by the Company on 8 March 2010 to Mr. Yung to satisfy part of the consideration payable by the Company to Mr. Yung in accordance with the sale and purchase agreement dated 13 November 2009, each CPS-I has the right to convert into 1 Share
"CPS-II"	the outstanding 504,201,680 non-redeemable convertible preference shares, which were allotted and issued by the Company on 10 October 2013 to Mr. Yung pursuant to the subscription agreement dated 10 April 2013, each CPS-II has the right to convert into 1 Share

"CPS-II Holders"	collectively, Mr. Yung and New Hope International
"CPS-II Terms"	the terms and conditions constituting the CPS-II
"Deed of Amendments"	a deed of amendments dated 9 January 2015 entered into among the Company, Mr. Yung and New Hope International in relation to the Proposed Alteration and the Conversion
"Disposal Agreement"	the sale and purchase agreement dated 24 April 2014 in respect of the disposal of 343,217,539 CPS-II by Mr. Yung to New Hope International
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened at 19/F., New Wing, 101 King's Road, Hong Kong on Friday, 6 March 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver contemplated under the Conversion, the proposed appointment of Director and the transactions contemplated thereunder
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or his delegates
"Group"	the Company and its subsidiaries
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Financial Adviser" or "Veda Capital"	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee to advise the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder
"Independent Shareholder(s)"	the shareholder(s) of the Company, other than: (i) Mr. Yung, New Hope International, Mr. Liu and parties acting in concert with any of them and their associates, (ii) those who are involved in or interested in the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder; and (iii) those who are required to abstain from voting in the EGM to consider and approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder under the GEM Listing Rules and the Takeovers Code
"Independent Third Party(ies)"	any person or company and its ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Latest Practicable Date"	11 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Mr. Liu"	Mr. Liu Yonghao (劉永好), a renowned PRC entrepreneur and investor, one of the ultimate beneficial owners of New Hope International
"Mr. Yung"	Mr. Yung Kwok Leong (翁國亮), an executive Director, chairman of the Board and the chief executive officer of the Company

"New Hope International"	New Hope International (Hong Kong) Limited (新希望國際(香港)有限公司), a company incorporated in Hong Kong with limited liability, the purchaser to the Disposal Agreement and one of the CPS-II Holders
"NH Group"	New Hope Group Co. Ltd.# (新希望集團有限公司) and its subsidiaries
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Alteration"	the proposed alteration of the CPS-II Terms by removing the 30% Threshold Restriction pursuant to the Deed of Amendments
"Put Option"	the right granted by Mr. Yung to New Hope International under the Disposal Agreement to require Mr. Yung to acquire or procure other third parties to acquire the 343,217,539 CPS-II disposed of under the Disposal Agreement (and/or the Shares if such CPS-II have been converted) if the monthly average closing price at month end is lower than the purchase price of the CPS-II (under the Disposal Agreement) or if the Proposed Alteration to the conversion restriction is not approved by the Independent Shareholders at the EGM, exercisable on or before 31 December 2015
"Relevant Period"	the period commencing 6 months preceding 4 December 2014, being the date of the 2014 Announcement and ending on the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Share Option(s)"	the share option(s) of the Company granted pursuant to the share option scheme adopted on 20 April 2002, conferring rights to subscribe for an aggregate of 32,801,287 new Shares at exercise prices ranging from HK$0.5 to HK$3.61 per Share upon exercise of the subscription rights attaching thereto
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers in Hong Kong
"Wanjia"	Wanjia Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, an indirect non-wholly owned subsidiary of the Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 401)
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Mr. Yung and New Hope International to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Concert Party Group as a result of the Conversion in accordance with Rule 26 of the Takeovers Code
"Whitewash Waiver Independent Board Committee"	the independent board committee of the Company formed by all the non-executive Director and independent non-executive Directors to advise the Independent Shareholders on the Whitewash Waiver contemplated under the Conversion pursuant to the Takeovers Code
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

The English translation of the Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

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)

Executive Directors:
Mr. Yung Kwok Leong
(Chairman and Chief Executive Officer)
Dr. Jiang Tao *(Deputy Chief Executive)*
Mr. Zheng Gang
Dr. Huang Jiaqing

Non-executive Director:
Dr. Wong Yu Man, James

Independent non-executive Directors:
Ms. Wong Ka Wai, Jeanne
Prof. Hu Shanlian
Prof. Lu Chuanzhen

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
19th Floor, New Wing
101 King's Road
Hong Kong

13 February 2015

To Shareholders, and for information only,
holders of Share Options, Convertible Note and CPS

Dear Sir or Madam,

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION; (II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER; (III) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR; AND (IV) NOTICE OF EGM

(I) INTRODUCTION

References are made to (i) the 2014 Announcement dated 4 December 2014 in relation to the possible Conversion of CPS-II involving a possible application for a Whitewash Waiver; and (ii) the 2015 Announcement dated 15 January 2015 in relation to the Deed of Amendments and the Conversion, in which each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the conditions, which include, *inter alia*s, the obtaining of the Whitewash Waiver.

* *For identification purposes only*

The purposes of this circular are to provide you with, among other things, further details of (i) the Deed of Amendments; (ii) the Proposed Alteration; (iii) the Conversion; (iv) the Whitewash Waiver; (v) the recommendation of the Connected Transaction Independent Board Committee to the Independent Shareholders; (vi) the recommendation of the Whitewash Waiver Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the Independent Financial Adviser to (a) the Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Proposed Alteration; and (b) the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver; (viii) the information on the proposed Director to be appointed; and (ix) the notice of EGM, in order to enable you to make an informed decision on how to vote at the EGM.

(II) BACKGROUND

Reference is made to the circular of the Company dated 19 August 2013 in relation to, among other things, the subscription for 504,201,680 CPS-II by Mr. Yung at the issue price of HK$0.238 per CPS-II and the CPS-II Terms, which contains, amongst other things, the 30% Threshold Restriction.

On 24 April 2014, Mr. Yung entered into the Disposal Agreement with New Hope International, pursuant to which Mr. Yung disposed of 343,217,539 CPS-II to New Hope International. As at the Latest Practicable Date, the Company has 504,201,680 CPS-II, of which 160,984,141 CPS-II, representing approximately 31.93% of the issued share capital of CPS-II, are held by Mr. Yung; and 343,217,539 CPS-II, representing approximately 68.07% of the issued share capital of CPS-II, are held by New Hope International. If all the CPS-II Holders have exercised the conversion rights attached to the CPS-II in full, it would have represented more than 30% of the entire issued ordinary share capital of the Company as enlarged by the Conversion Shares. However, the full conversion of CPS-II by the CPS-II Holders is prohibited by the 30% Threshold Restriction. The CPS-II Holders therefore sought the Company's consent to amend the CPS-II Terms, in particular, to remove the 30% Threshold Restriction.

On 9 January 2015, the Company, Mr. Yung and New Hope International entered into the Deed of Amendments for the Proposed Alteration. In addition, pursuant to the Deed of Amendments, each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the conditions, which include, *inter alia*s, the obtaining of the Whitewash Waiver.

(III) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION

Deed of Amendments

Date:

9 January 2015

Parties:

(i) the Company;

(ii) Mr. Yung; and

(iii) New Hope International

As Mr. Yung is the executive Director, chairman of the Board and the chief executive officer of the Company, he is a connected person of the Company in accordance with Rule 20.07(1) of the GEM Listing Rules.

Save for being the CPS-II Holder, New Hope International is an Independent Third Party.

Amendments to the CPS-II Terms

Details of the Proposed Alteration are set out below:

	Existing terms	The Proposed Alteration
Limitation on conversion:	Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (2) to the extent that following such exercise, the relevant holder of CPS-II and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30 per cent. or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or (3) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.	Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; or (2) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

"Statutes" means the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and every other law of the legislature of Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or the articles of association of the Company or the CPS-II Terms.

"Conversion Date" means, subject to provisions of CPS-II Terms, 12:00 noon on the Business Day immediately following the date of the surrender of the relevant certificate of CPS-II and delivery of the conversion notice, in such form as the Directors may from time to time specify, stating that a holder of CPS-II wishes to exercise the conversion right in respect of one or more CPS-II therefor accompanied by the documents referred to in the CPS-II Terms.

Apart from the above proposed amendments, all the other existing terms and conditions of the CPS-II shall remain intact and unchanged.

Conditions precedent for the Proposed Alteration

The Proposed Alteration is subject to:

(a) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Deed of Amendments and the transactions contemplated thereunder;

(b) the obtaining of all necessary consents and approvals required on the part of the Company and on part of the CPS-II Holders in respect of the Deed of Amendments and the transactions contemplated thereunder; and

(c) the obtaining of all the approval from the Stock Exchange on the Proposed Alteration in accordance with the GEM Listing Rules.

None of the above conditions are capable of being waived. If any of the above conditions is not fulfilled on or before 30 April 2015 or such later date as the parties hereto may agree, the Proposed Alteration will not proceed, and all the existing terms and conditions of the CPS-II shall remain intact and unchanged.

All necessary consents and approvals required on the part of the Company and on the part of the CPS-II Holders include the passing by the Board and the board of New Hope International of the necessary resolutions to approve the Deed of Amendments and the transactions contemplated thereunder.

As at the Latest Practicable Date, condition (a) above has not yet been satisfied, condition (b) above has been satisfied, and condition (c) above has been conditionally fulfilled as an application for the Proposed Alteration has been made to the Stock Exchange pursuant to Rule 22.03 of the GEM Listing Rules and the Stock Exchange has conditionally approved the Proposed Alteration subject to Independent Shareholders' approval.

Implications under the GEM Listing Rules

As Mr. Yung is a connected person of the Company, the entering into of the Deed of Amendments for the Proposed Alteration constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the Independent Shareholders' approval at the EGM.

Pursuant to Rule 22.03 of the GEM Listing Rules, any alteration in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. The Company has, for itself and on behalf of the CPS-II Holders, sought the approval from the Stock Exchange on the Proposed Alteration. By a letter dated 18 December 2014, the Stock Exchange approved the Proposed Alteration subject to the approval of the Independent Shareholders at the EGM.

(IV) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

Pursuant to the Deed of Amendments, each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the following conditions:

(a) the Proposed Alteration has been unconditional;

(b) the Executive or his delegate granting the Whitewash Waiver to the Concert Party Group and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(c) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Whitewash Waiver; and

(d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Conversion having been obtained and remaining in full force and effect.

None of the above conditions are capable of being waived. If any of the above conditions is not fulfilled on or before 30 April 2015 or such later date as the parties thereto may agree, the Conversion shall cease and determine.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

As at the Latest Practicable Date, Mr. Yung is directly interested in 136,546,875 Shares and indirectly (through his controlled corporation, namely Marshal International Investments Limited which in turn holds the entire issued share capital of Easeglory Holdings Limited) interested in 120,960,500 Shares. Mr. Yung is also directly holding 1,700,000 Share Options, 98,500,000 CPS-I and 160,984,141 CPS-II.

The issue price of the 160,984,141 CPS-II held by Mr. Yung of HK$0.238 per CPS-II represents:

(a) a discount of approximately 55.1% to the closing price of HK$0.530 per Share as quoted on the Stock Exchange on the last trading day (being 1 December 2014) immediately preceding the date of the 2014 Announcement; and a discount of approximately 60.1% to the average closing price of HK$0.596 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the last trading day (being 1 December 2014) immediately preceding the date of the 2014 Announcement;

(b) a discount of approximately 52.4% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the last trading day (being 9 January 2015) immediately preceding the date of the 2015 Announcement; and a discount of approximately 47.3% to the average closing price of HK$0.452 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the last trading day (being 9 January 2015) immediately preceding the date of the 2015 Announcement; and

(c) a discount of approximately 55.9% to the closing price of HK$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

As at the Latest Practicable Date, New Hope International is directly interested in 343,217,539 CPS-II. These 343,217,539 CPS-II were acquired from Mr. Yung in April 2014 at the purchase price of HK$0.280 per CPS-II, by New Hope International which represents:

(a) a discount of approximately 53.3% to the closing price of HK$0.600 per Share as quoted on the Stock Exchange on 24 April 2014, the day that Mr. Yung disposed the CPS-II to New Hope International;

(b) a discount of approximately 47.2% to the closing price of HK$0.530 per Share as quoted on the Stock Exchange on the last trading day (being 1 December 2014) immediately preceding the date of the 2014 Announcement; and a discount of approximately 53.0% to the average closing price of HK$0.596 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the last trading day (being 1 December 2014) immediately preceding the date of the 2014 Announcement;

(c) a discount of approximately 44.0% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the last trading day (being 9 January 2015) immediately preceding the date of the 2015 Announcement; and a discount of approximately 38.1% to the average closing price of HK$0.452 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the last trading day (being 9 January 2015) immediately preceding the date of the 2015 Announcement; and

(d) a discount of approximately 48.1% to the closing price of HK$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Under the Disposal Agreement, Mr. Yung had irrevocably granted the Put Option to New Hope International, pursuant to which New Hope International is entitled to serve a written notice to require Mr. Yung to acquire or procure other third party(ies) to buy back all the CPS-II (and/or the Shares if such CPS-II has been converted) acquired by New Hope International under the Disposal Agreement. The Put Option is exercisable on or before 31 December 2015 only if the monthly average closing price at month end is lower than the purchase price of the CPS-II or if the Proposed Alteration to the conversion restriction is not approved by the Independent Shareholders at the EGM.

Whitewash Waiver

Assuming that the Proposed Alteration having become effective and the Conversion become unconditional, and no further Shares will be issued or repurchased from the Latest Practicable Date until the allotment and issue of the Conversion Shares, the Conversion would result in the increase of the Concert Party Group's percentage shareholding in Shares from approximately 22.25% to approximately 45.85%. Accordingly, Mr. Yung and New Hope International will be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application to the Executive for the Whitewash Waiver in respect of the Conversion and the issue of the Conversion Shares has been made on behalf of the CPS-II Holders and parties acting in concert with any of them. The Executive has indicated that, subject to the approval by the Independent Shareholders by way of poll at the EGM, the waiver from any obligations to make a mandatory general offer which might result from the Conversion will be granted. The Concert Party Group and their respective associates will abstain from voting at the EGM on the proposed resolutions approving the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver and the transactions contemplated respectively thereunder.

Dealings and interests of the Concert Party Group

The Concert Party Group confirmed that, as at the Latest Practicable Date, each of the members of the Concert Party Group:

(i) did not own, control or have direction over any other outstanding options, warrants or securities that are convertible into the Shares, nor has it entered into any outstanding derivatives in respect of any securities in the Company, nor hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save and except for (i) 136,546,875 Shares, 98,500,000 CPS-I, 160,984,141 CPS-II and 1,700,000 Share Options directly and beneficially held by Mr. Yung, (ii) 120,960,500 Shares indirectly held by Mr. Yung through the controlled corporation, namely Easeglory Holdings Limited; and (iii) 343,217,539 CPS-II directly held by New Hope International;

(ii) had not received an irrevocable commitment to vote in favour of or against the resolution in respect of the Whitewash Waiver at the EGM;

(iii) had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iv) did not have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the proposed Conversion and the Whitewash Waiver;

(v) did not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the proposed Conversion and the Whitewash Waiver; and

(vi) had not dealt in the Shares, CPS, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares, during the Relevant Period.

In the event the Whitewash Waiver is not granted by the Executive and/or voted down by the Independent Shareholders at the EGM, the Conversion will not proceed and the Concert Party Group could only convert the CPS-II to the extent that their aggregated voting rights will not exceed the 30% Threshold Restriction.

Reasons for the Proposed Alteration and the Conversion

The Proposed Alteration was made at the request of the CPS-II Holders and the Conversion is conditional upon the Proposed Alteration. The Board (including the independent non-executive Directors) believes that the Proposed Alteration is fair and reasonable and will be in the interests of the Company and the Shareholders as a whole for the following reasons:

(i) Mr. Yung has been the substantial Shareholder since February 2005, with Mr. Yung's sophisticated experience in the healthcare and pharmaceutical sectors in the PRC and his extensive business network, the Group has migrated from the environmental protection products and services business to healthcare business in the PRC. The Board considers that the Proposed Alteration will allow Mr. Yung to become a controlling Shareholder who will then commit more to the Group and the Group would leverage more the value (in particular, the leadership and extensive business network) of Mr. Yung in furtherance the growth of the Group;

(ii) Mr. Liu is a prominent businessman in the PRC (as set out in the section headed "**Information on New Hope International and Mr. Liu**" below), the introduction of Mr. Liu as a controlling Shareholder will enhance the status of the Group in the capital market and will attract more professional institutional investors;

(iii) the Proposed Alteration would offer improved incentive to both Mr. Yung and Mr. Liu to commit more in the development of the Group since the increase in their shareholding of the Company will make them become controlling Shareholders; and

(iv) on the other hand, if the Proposed Alteration is not approved by the Independent Shareholders, New Hope International may or may not exercise the Put Option to require Mr. Yung to buy back all the CPS-II acquired by it under the Disposal Agreement. If such Put Option is exercised, the Company will lose the opportunities to work with Mr. Liu for the furtherance of the business horizon which will be beneficial to the Group.

In addition, the Group has also entered into a memorandum of understanding dated 28 October 2014 with Beijing Vantone Greatcity, for the cooperation opportunities in projects of the Beijing Vantone Greatcity. The Board considers that leveraging on the management experience and expertise of Mr. Yung and the prominent background and business network of Mr. Liu, the Group would have the opportunity to broaden its business horizon in future, if suitable opportunities arise.

Shareholding structure of the Company

As at the Latest Practicable Date, the Company has 1,157,388,264 Shares in issue. The Company also has (i) 98,500,000 CPS-I which are held by Mr. Yung; (ii) 504,201,680 CPS-II, of which 160,984,141 CPS-II are held by Mr. Yung and 343,217,539 CPS-II are held by New Hope International; (iii) 32,801,287 Share Options conferring rights to subscribe for an aggregate of 32,801,287 new Shares at exercise prices ranging from HK$0.5 to HK$3.61 per Share; and (iv) Convertible Note with an outstanding principal amount of HK$6,500,000 which entitles the holder thereof to convert into 3,421,053 Shares at the conversion price of HK$1.90 per Share.

Save as disclosed, the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Assuming the Proposed Alteration having become effective and the Conversion become unconditional, no further Shares will be issued or repurchased by the Company prior to the issue of the Conversion Shares and no acquisition or disposal of Shares by any of the following parties prior to the allotment and issue of the Conversion Shares, the shareholding structure of the Company, for illustrative purposes only,

(i) as at the Latest Practicable Date ("**Scenario I**");

(ii) upon full conversion of CPS-II (assuming no Share Option has been exercised and no CPS-I and Convertible Note has been converted) ("**Scenario II**");

(iii) upon conversion of CPS-I to the extent that it will not trigger a mandatory general offer obligation under Rule 26.1(c) of the Takeovers Code, so that the Concert Party Group will not, within 12 months from the date of completion of the Conversion, acquires more than a further 2% voting rights in the Company from 45.85% immediately after the Conversion (assuming no Share Option has been exercised and no Convertible Note has been converted) ("**Scenario III**");

(iv) upon full conversion of all CPS (assuming no Share Option has been exercised and no Convertible Note has been converted) ("**Scenario IV**"); and

(v) upon the exercise of all Share Options and full conversion of all CPS and Convertible Note ("**Scenario V**")

are as follows:

	Scenario I		Scenario II		Scenario III		Scenario IV		Scenario V	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Easeglory Holdings Limited *(Note)*	120,960,500	10.45	120,960,500	7.28	120,960,500	7.01	120,960,500	6.87	120,960,500	6.73
Mr. Yung	136,546,875	11.80	297,531,016	17.91	361,244,949	20.94	396,031,016	22.50	397,731,016	22.14
New Hope International	–	–	343,217,539	20.66	343,217,539	19.89	343,217,539	19.50	343,217,539	19.11
Sub-total of the Concert Party Group	257,507,375	22.25	761,709,055	45.85	825,422,988	47.84	860,209,055	48.87	861,909,055	47.98
Other Directors	6,104,000	0.53	6,104,000	0.36	6,104,000	0.36	6,104,000	0.35	11,594,140	0.65
Public Shareholders	893,776,889	77.22	893,776,889	53.79	893,776,889	51.80	893,776,889	50.78	922,809,089	51.37
Total	1,157,388,264	100.00	1,661,589,944	100.00	1,725,303,877	100.00	1,760,089,944	100.00	1,796,312,284	100.00

Note: The entire issued share capital of Easeglory Holdings Limited is owned by Marshal International Investments Limited which is in turn wholly and beneficially owned by Mr. Yung. Mr. Yung is deemed to have interest in those 120,960,500 Shares held by Easeglory Holdings Limited.

Information on the Group

The Company was incorporated in the Cayman Islands on 28 May 2001 with limited liability whose issued Shares are listed on the GEM and, through its subsidiaries, is principally engaged in the provision of general hospital services and hospital management. It operates three general hospitals in Chongqing, Jiaxing and Zhuhai, principally engaged in the provision of general hospital services and hospital management including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical check-up and examination.

The Company is also engaged in the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC through an indirect non-wholly owned subsidiary of the Company, Wanjia. The chain of retail pharmacies are operated in six prefectural-level districts in the PRC.

Information on Mr. Yung

Mr. Yung is a registered economist in the Fujian Province in the PRC, he has over 20 years' experience in corporate management and investment in the healthcare and pharmaceutical sectors in the PRC. Mr. Yung is currently the vice president of China Federation of Overseas Chinese Entrepreneurs and Xin Jiang Federation of Returned Overseas Chinese, Fujian Committee of Chinese Political Consultative Conference, as well as the chairman of Hong Kong Putian Co. and the honorable chairman of Hong Kong Puxian Native Association.

Mr. Yung has been the substantial Shareholder since 3 February 2005 pursuant to the subscription agreement dated 18 January 2005 entered into between the Company and Easeglory Holdings Limited in relation to the subscription for 231,730,000 Shares, representing approximately 16.67% of the then entire issued Share capital of the Company. Completion of the said subscription took place on 3 February 2005. Since March 2006, Mr. Yung has remained as the single largest Shareholder. Mr. Yung was appointed as an executive Director, the chairman of the Board and chief executive officer of the Company on 2 March 2005, 29 April 2005 and 26 March 2010 respectively and he remains the same as at the date of this letter.

As at the date of this letter, Mr. Yung is directly interested in 136,546,875 Shares and indirectly (through his controlled corporation, namely Marshal International Investments Limited which in turn holds the entire issued share capital of Easeglory Holdings Limited) interested in 120,960,500 Shares. Hence, Mr. Yung is, in aggregate, interested in 257,507,375 Shares, representing approximately 22.25% of the entire issued Share capital of the Company. He is also directly holding 1,700,000 Share Options, 98,500,000 CPS-I and 160,984,141 CPS-II, representing approximately 43.05% of the entire issued CPS capital of the Company.

Information on New Hope International and Mr. Liu

New Hope International is a company incorporated in Hong Kong and is principally engaged in trading of foodstuff and investment. As at the Latest Practicable Date, New Hope International is owned by South Hoper Industry Co. Ltd.# (南方希望實業有限公司) and New Hope Group Co. Ltd.# (新希望集團有限公司) as to 75% and 25% respectively. South Hoper Industry Co. Ltd. is 51% held by New Hope Group Co. Ltd. and 49% held by Tibet Hengyefeng Industrial Co., Ltd.# (西藏恒業峰實業有限公司). New Hope Group Co., Ltd. is approximately 62% held by Mr. Liu and approximately 38% held by his associates, being his wife and his daughter. Tibet Hengyefeng Industrial Co., Ltd. is approximately 27% held by Mr. Liu, and the remaining equity interest is owned by his associates, being his wife and his daughter.

NH Group is the holding company of New Hope Liuhe Co. Limited# (新希望六和股份有限公司) which is listed on Shenzhen Stock Exchange (with stock code: 000876) and is engaged in the manufacturing and distribution of feedstuffs, animal husbandry and meat products in the PRC and other countries. NH Group also held other listed company investment, such as approximately 1.81% interest in Kelun Pharmaceutical Co. Ltd. (四川科倫藥業股份有限公司)(a company listed on Shenzhen Stock Exchange with stock code: 002422).

Mr. Liu is a renowned investor. He has diversified investments in different sectors, including but not limited to real estate, bank, food and tourism. He has been listed in Forbes magazine with his three brothers for being one of China's wealthiest entrepreneurs in 2001. In 2000, Mr. Liu was regarded as "Star of Asia" by the United States of America "Business Week".

Mr. Liu is the founder of China Minsheng Banking Corp., Ltd.(中國民生銀行股份有限公司)(a company listed on Shanghai Stock Exchange with stock code: 600016 and also listed on the Main Board of the Stock Exchange with stock code: 1988), and is the second largest shareholder and vice-chairman of China Minsheng Banking Corp., Ltd. as at the Latest Practicable Date.

Mr. Liu is also one of the controlling shareholders of Beijing Vantone Greatcity. Mr. Liu introduced cooperation opportunities to the Group. On 28 October 2014, Shanghai Whole-Care Hospital Management Co., Limited# (上海厚康醫院管理有限公司), a wholly-owned subsidiary of the Company and Beijing Vantone Greatcity entered into a memorandum of understanding for a term of 5 years, pursuant to which the parties agreed to form a strategic alliance for the management service of hospitals, clinics and other healthcare institutions to be constructed in residential development project(s). The cooperation opportunities, if materialise, would broaden the revenue source of the Group.

Future intention of the Concert Party Group

The Concert Party Group is optimistic about the future of the healthcare business in the PRC. Following the grant and approval of the Whitewash Waiver and completion of the Conversion, the Concert Party Group will become controlling Shareholders under the GEM Listing Rules. The Concert Party Group intends to continue the existing businesses of the Group after the Conversion.

As advised by Mr. Yung, after the completion of the Conversion, he intends to convert the CPS-I held by him to the extent that it will not trigger a mandatory general offer obligation under Rule 26.1(c) of the Takeovers Code, so that the Concert Party Group will not, within 12 months from the date of completion of the Conversion, acquire more than a further 2% voting rights in the Company from the aggregated interest of the Concert Party Group of 45.85% immediately after the whitewashed transaction (as illustrated in Scenario III in the section headed "**Shareholding Structure of the Company**").

Proposed change of composition of the Board

As at the Latest Practicable Date, there are four executive Directors, one non-executive Director and three independent non-executive Directors. The Concert Party Group intends to nominate Mr. Tang Xun (湯珣) as non-executive Director after the Conversion. Please refer to the section headed "**APPOINTMENT OF DIRECTOR**" in the following section of this circular for more details of Mr. Tang Xun.

Save as the aforesaid, the Concert Party Group does not intend to introduce any major change to the existing operations and management structure of the Group, as a result of the Conversion, including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

(V) CONNECTED TRANSACTION INDEPENDENT BOARD COMMITTEE, WHITEWASH WAIVER INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Connected Transaction Independent Board Committee comprising all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, has been established pursuant to the GEM Listing Rules, to advise the Independent Shareholders in respect of the proposed resolutions to approve the Deed of Amendments, and the Proposed Alteration and the transactions contemplated thereunder.

The Whitewash Waiver Independent Board Committee, comprising the non-executive Director, namely Dr. Wong Yu Man, James, and all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, has been established in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the resolution(s) to approve the Whitewash Waiver contemplated under the Conversion.

Veda Capital has been appointed by the Company with the approval of the Connected Transaction Independent Board Committee and Whitewash Waiver Independent Board Committee respectively to advise the Connected Transaction Independent Board Committee, Whitewash Waiver Independent Board Committee and the Independent Shareholders as to whether the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole, and to make recommendation to the Independent Shareholders on how to vote at the EGM.

The text of the letters from the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee are set out on pages 24 to 26 and 27 to 29 of this circular respectively, and the text of the letter from Veda Capital containing its advice is set out on pages 30 to 46 of this circular.

(VI) APPOINTMENT OF DIRECTOR

The Board has proposed to nominate Mr. Tang Xun as non-executive Director. If the appointment is approved by the Shareholders at the EGM, his appointment as non-executive Director will only take effect after the completion of the Conversion. An announcement will be made by the Company in respect of the change of the composition of the Board in compliance with the GEM Listing Rules.

The biographical details of Mr. Tang Xun is set out below:

Mr. Tang Xun, aged 34, holds a Bachelor's degree in Japanese from the Beijing International Studies University (北京第二外國語學院) in 2004, and thereafter a Master's degree in political economics from Graduate School of Peking University (北京大學) as an on-job postgraduate student in 2012. Mr. Tang Xun has over three years of experience in private equity investment, and is currently an executive director of Beijing Hosen Investment Management, LLP. (北京厚生投資管理中心(有限合夥)).

As at the Latest Practicable Date, Mr. Tang Xun did not hold any position in the Company or any member of the Group and had no interests in the shares in the Company or any associated corporation of the Group within the meaning of Part XV of the SFO.

Mr. Tang Xun has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the article of association of the Company. The Director's fee of Mr. Tang Xun as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market level for director's fee for non-executive Director. As at the Latest Practicable Date, Mr. Tang Xun has no interest in the Shares within the meaning of Part XV of the SFO. As at the Latest Practicable Date, Mr. Tang Xun has not held any other directorships in any public listed companies in the past three years, and is not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Tang Xun confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the GEM Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

(VII) EGM

Set out on pages EGM-1 and EGM-4 of this circular is a notice convening the EGM to be held at 19/F., New Wing 101 King's Road, Hong Kong on Friday, 6 March 2015 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver, the proposed appointment of new Director and the transactions contemplated respectively thereunder. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

The Concert Party Group and their respective associates, holding in aggregate 257,507,375 Shares, representing approximately 22.25% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date, are regarded as having material interest in the Proposed Alteration and therefore they shall abstain from voting at the EGM in respect of the resolutions approving the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated respectively thereunder.

(VIII) RECOMMENDATION

Your attention is drawn to the letters from the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee set out on pages 24 to 26 and 27 to 29 of this circular respectively. Both the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee, having taken into account the advice of Veda Capital, the text of which are set out on pages 30 to 46 of this circular, consider that the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver contemplated under the Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the members of the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee after taking into account the advice of Veda Capital, and Mr. Yung who had abstained from voting at the Board meeting to approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated respectively thereunder) recommend the Independent Shareholders to vote in favor of the relevant proposed resolutions to approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver contemplated under the Conversion and the transactions contemplated thereunder at the EGM.

(IX) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of EGM as set out on pages EGM-1 to EGM-4 which form part of this circular.

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

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)

13 February 2015

To Independent Shareholders, and for information only,
holders of Share Options and convertible notes

Dear Sir or Madam,

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION; AND (II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

We refer to the circular of the Company dated 13 February 2015 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Connected Transaction Independent Board Committee to advise the Independent Shareholders as to whether the Deed of Amendments and the Proposed Alteration and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolutions pursuant to the GEM Listing Rules at the EGM.

Veda Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders as to whether the Deed of Amendments and the Proposed Alteration are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolutions at the EGM. Details of Veda Capital's advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 30 to 46 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 23 to the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Veda Capital, we consider that the Deed of Amendments is on normal commercial term though the entering into the same is not in the ordinary course of business. We also consider that the Deed of Amendments, the Proposed Alteration and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant proposed resolutions to approve the Deed of Amendments, the Proposed Alteration and the transactions contemplated thereunder at the EGM.

Yours faithfully,
the Connected Transaction Independent Board Committee

Ms. Wong Ka Wai, Jeanne	**Prof. Hu Shanlian**	**Prof. Lu Chuanzhen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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)

13 February 2015

To Independent Shareholders, and for information only,
holders of Share Options and convertible notes

Dear Sir or Madam,

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION; AND (II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

We refer to the circular of the Company dated 13 February 2015 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Whitewash Waiver Independent Board Committee to advise the Independent Shareholders as to whether the Whitewash Waiver contemplated under the Conversion is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolution pursuant to the Takeovers Code at the EGM.

Veda Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders as to whether the Whitewash Waiver contemplated under the Conversion is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolution at the EGM. Details of Veda Capital's advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 30 to 46 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 23 to the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Veda Capital, we consider that the Whitewash Waiver contemplated under the Conversion is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant proposed resolutions to approve the Whitewash Waiver contemplated under the Conversion at the EGM.

Yours faithfully,
the Whitewash Waiver Independent Board Committee

Dr. Wong Yu Man, James	**Ms. Wong Ka Wai, Jeanne**	**Prof. Hu Shanlian**	**Prof. Lu Chuanzhen**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Veda Capital to the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3711, 37/F.,
Tower Two, Times Square,
1 Matheson Street, Causeway Bay,
Hong Kong

13 February 2015

To the Connected Transaction Independent Board Committee,
the Whitewash Waiver Independent Board Committee and
the Independent Shareholders of Hua Xia Healthcare Holdings Limited

Dear Madam/Sir,

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION; AND (II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") in the Company's circular dated 13 February 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the circular of the Company dated 19 August 2013 in relation to, among other things, the subscription for 504,201,680 CPS-II by Mr. Yung at the issue price of HK$0.238 per CPS-II and the CPS-II Terms, which contains, amongst other things, the 30% Threshold Restriction.

On 24 April 2014, Mr. Yung entered into the Disposal Agreement with New Hope International, pursuant to which Mr. Yung disposed of 343,217,539 CPS-II to New Hope International. As at the Latest Practicable Date, the Company has 504,201,680 CPS-II, of which 160,984,141 CPS-II, representing approximately 31.93% of the issued share capital of CPS-II, are held by Mr. Yung; and 343,217,539 CPS-II, representing approximately 68.07% of the issued share capital of CPS-II, are held by New Hope International. If all the CPS-II Holders have exercised the conversion rights attached to the CPS-II in full, it would have represented more than 30% of the entire issued ordinary share capital of the Company as enlarged by the Conversion Shares. However, the full conversion of CPS-II by the CPS-II Holders is prohibited by the 30% Threshold Restriction. The CPS-II Holders therefore sought the Company's consent to amend the CPS-II Terms, in particular, to remove the 30% Threshold Restriction.

On 9 January 2015, the Company, Mr. Yung and New Hope International entered into the Deed of Amendments for the Proposed Alteration. In addition, pursuant to the Deed of Amendments, each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the conditions, which include, *inter alia*s, the obtaining of the Whitewash Waiver.

As Mr. Yung is a connected person of the Company, the entering into of the Deed of Amendments for the Proposed Alteration constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the Independent Shareholders' approval at the EGM.

Pursuant to Rule 22.03 of the GEM Listing Rules, any alteration in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. The Company has, for itself and on behalf of the CPS-II Holders, sought the approval from the Stock Exchange on the Proposed Alteration. By a letter dated 18 December 2014, the Stock Exchange approved the Proposed Alteration subject to the approval of the Independent Shareholders at the EGM.

The Connected Transaction Independent Board Committee comprising all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, has been established pursuant to the GEM Listing Rules, to advise the Independent Shareholders in respect of the proposed resolutions to approve the Deed of Amendments, and the Proposed Alteration and the transactions contemplated thereunder.

The Whitewash Waiver Independent Board Committee, comprising the non-executive Director, namely Dr. Wong Yu Man, James, and all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, has been established in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the resolution(s) to approve the Whitewash Waiver contemplated under the Conversion.

Veda Capital has been appointed by the Company with the approval of the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee respectively to advise the Connected Transaction Independent Board Committee, Whitewash Waiver Independent Board Committee and the Independent Shareholders as to whether the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole, and to make recommendation to the Independent Shareholders on how to vote at the EGM.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Veda Capital's independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Connected Transaction Independent Board Committee, Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the undertaking and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or their associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the undertaking and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Connected Transaction Independent Board Committee, Whitewash Waiver Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or their associates.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Director(s) and the management. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in this Circular so as to provide a reasonable basis of our opinion. The Company is required to notify the Shareholders of any material changes to information contained in this Circular as soon as possible subsequent to its despatch and prior to the EGM. If we become aware of any such material change, we will notify the Shareholders accordingly and of the potential impact on our recommendation set out in this letter as soon as possible.

This letter is issued for the information for the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

A. Historical financial performance of the Group

The financial information of the Group for the nine months ended 31 December 2014 and the two financial years ended 31 March 2013 below are for the background information of the Shareholders.

(i) Nine months ended 31 December 2014

As disclosed in the third quarterly report 2014/2015 of the Company for the nine months ended 31 December 2014 (the "**3Q 2014**"), the Group recorded a turnover of approximately HK$1,401.3 million for the nine months ended 31 December 2014, representing a decrease of approximately 16.5% as compared to the corresponding period in 2013 of approximately HK$1,678.8 million. As noted from the 3Q 2014, the decrease in turnover was mainly attributable to decrease in revenue generated from the pharmaceutical wholesales segment as a result of the promulgation and implementation of new Good Supply Practice in Fujian, the PRC in April 2014 which imposes stringent regulations on pharmaceutical distributor operation and the Group prudently tightened the credit policy to the distributor customers gradually during the nine months period ended 31 December 2014.

The Group recorded a loss attributable to the Shareholders of approximately HK$498.4 million for the nine months ended 31 December 2014 as compared to a profit attributable to the Shareholders of approximately HK$24.3 million for the corresponding period in 2013.

As advised by the Company, the loss was mainly related to an one-off impairment loss on goodwill of approximately HK$785.5 million recognised by the non-wholly owned subsidiary of the Company.

(ii) Financial year ended 31 March 2014

For the financial year ended 31 March 2014, the Group recorded a turnover of approximately HK$2,243.2 million, representing an increase of approximately 11.0% from that of the financial year ended 31 March 2013 of approximately HK$2,020.6 million. As advised by the Company, the improvement of revenue was mainly driven by the increase in wholesale and distribution of pharmaceutical and related products due to the increase in overall demand for pharmaceutical products and expansion of the products portfolio.

The Group reported profit attributable to the Shareholders for the financial year ended 31 March 2014 of approximately HK$21.9 million, representing a decrease of approximately 48.7% as compared to the financial year ended 31 March 2013 of approximately HK$42.7 million. As noticed from the annual report 2013/2014 of the Company, the 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 65.5% 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.

(iii) Financial year ended 31 March 2013

For the financial year ended 31 March 2013, the Group recorded a turnover of approximately HK$2,020.6 million, representing an increase of approximately 10.1% as compared to the financial year ended 31 March 2012 of approximately HK$1,835.8 million. As advised by the Company, the improvement of revenue was mainly driven by the increase in pharmaceutical wholesale, distribution and retail chain business due to the broadened revenue base from a further diversified products portfolio and the steady increase in revenue derived from the general hospital service.

The Group reported profit attributable to the Shareholders of approximately HK$42.7 million for the financial year ended 31 March 2013, representing a decrease of approximately 14.0% as compared to the financial year ended 31 March 2012 of approximately HK$49.7 million. As noticed from the annual report 2012/2013 of the Company, the decrease was mainly contributed to (1) the loss on early redemption of promissory note, (2) the related expenses incurred for the Group's spin-off project of the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses of the Group (the "**Spin-Off**") of approximately HK$6.5 million and (3) there was no gain on disposal of subsidiary during the financial year ended 31 March 2013. By excluding such effects, the Group recorded a slightly increase of profit attributable to the owners of the Company around 3% compared to same period of last year.

B. Information on the Group

The Company was incorporated in the Cayman Islands on 28 May 2001 with limited liability whose issued Shares are listed on the GEM and, through its subsidiaries, is principally engaged in the provision of general hospital services and hospital management. It operates three general hospitals in Chongqing, Jiaxing and Zhuhai, principally engaged in the provision of general hospital services and hospital management including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical check-up and examination.

The Company is also engaged in the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC through an indirect non-wholly owned subsidiary of the Company, Wanjia. The chain of retail pharmacies are operated in six prefectural-level districts in the PRC.

C. Information on New Hope International and Mr. Liu

New Hope International is a company incorporated in Hong Kong and is principally engaged in trading of foodstuff and investment. As at the Latest Practicable Date, New Hope International is owned by South Hoper Industry Co. Ltd.# (南方希望實業有限公司) and New Hope Group Co. Ltd.# (新希望集團有限公司) (together with its subsidiaries collectively refer to "**NH Group**") as to 75% and 25% respectively. South Hoper Industry Co. Ltd. is 51% held by New Hope Group Co., Ltd. and 49% held by Tibet Hengyefeng Industrial Co., Ltd.# (西藏恒業峰實業有限公司). New Hope Group Co., Ltd. is approximately 62% held by Mr. Liu and approximately 38% held by his associates, being his wife and his daughter. Tibet Hengyefeng Industrial Co., Ltd. is approximately 27% held by Mr. Liu, and the remaining equity interest is owned by his associates, being his wife and his daughter.

NH Group is the holding company of New Hope Liuhe Co. Limited# (新希望六和股份有限公司) which is listed on Shenzhen Stock Exchange (with stock code: 000876) and is engaged in the manufacturing and distribution of feedstuffs, animal husbandry and meat products in the PRC and other countries. NH Group also held other listed company investment, such as approximately 1.81% interest in Kelun Pharmaceutical Co. Ltd. (四川科倫藥業股份有限公司), (a company listed on Shenzhen Stock Exchange with stock code: 002422).

Mr. Liu is a renowned investor. He has diversified investments in different sectors, including but not limited to real estate, bank, food and tourism. He has been listed in Forbes magazine with his three brothers for being one of China's wealthiest entrepreneurs in 2001. In 2000, Mr. Liu was regarded as "Star of Asia" by the United States of America "Business Week".

Mr. Liu is the founder of China Minsheng Banking Corp., Ltd, (中國民生銀行股份有限公司) (a company listed on Shanghai Stock Exchange with stock code: 600016 and also listed on the Main Board of the Stock Exchange with stock code: 1988), and is the second largest shareholder and vice-chairman of China Minsheng Banking Corp., Ltd. as at the Latest Practicable Date.

D. Reasons and benefits for the Proposed Alteration and the Conversion

The Proposed Alteration was made at the request of the CPS-II Holders and the Conversion is conditional upon the Proposed Alteration. The Board (including the independent non-executive Directors) believes that the Proposed Alteration is fair and reasonable and will be in the interests of the Company and the Shareholders as a whole for the following reasons:

(i) Mr. Yung has been the substantial Shareholder since February 2005, with Mr. Yung's sophisticated experience in the healthcare and pharmaceutical sectors in the PRC and his extensive business network, the Group has migrated from the environment protection products and services business to healthcare business in the PRC. The Board considers that the Proposed Alteration will allow Mr. Yung to become a controlling Shareholder who will then commit more to the Group and the Group would leverage more the value (in particular, the leadership and extensive business network) of Mr. Yung in furtherance the growth of the Group;

(ii) Mr. Liu is a prominent businessman in the PRC (as set out in the section headed "**C. Information on New Hope International and Mr. Liu**" in this letter), the introduction of Mr. Liu as a controlling Shareholder will enhance the status of the Group in the capital market and will attract more professional institutional investors;

(iii) the Proposed Alteration would offer improved incentive to both Mr. Yung and Mr. Liu to commit more in the development of the Group since the increase in their shareholding of the Company will make them become controlling Shareholders; and

(iv) on the other hand, if the Proposed Alteration is not approved by the Independent Shareholders, New Hope International may or may not exercise the Put Option to require Mr. Yung to buy back all the CPS-II acquired by it under the Disposal Agreement. If such Put Option is exercised, the Company will lose the opportunities to work with Mr. Liu for the furtherance of the business horizon which will be beneficial to the Group.

In addition, the Group has also entered into the memorandum of undertaking (the "**MOU**") dated 28 October 2014 with Beijing Vantone Greatcity, for the cooperation opportunities in projects of the Beijing Vantone Greatcity. The Board considers that leveraging on the management experience and expertise of Mr. Yung and the prominent background and business network of Mr. Liu, the Group would have the opportunity to broaden its business horizon in future, if suitable opportunities arise.

As noted from the annual report 2013/2014 of the Company, Mr. Yung who is the chairman of the Board, being a registered economist in the Fujian Province in the PRC, he has over 20 years' experience in corporate management and investment in the healthcare and pharmaceutical sectors in the PRC. Mr. Yung is currently the vice president of China Federation of Overseas Chinese Entrepreneurs and Xin Jiang Federation of Returned Overseas Chinese, Fujian committee of Chinese Political Consultative Conference, executive chairman of Chinese Political Consultative Conference, executive chairman of the Strategic Alliance for the Medical & Healthcare Industry of China as well as the chairman of Hong Kong Outian Co. and the honorable chairman of Hong Kong Puxian Native Association.

Mr. Yung has been the substantial Shareholder since February 2005 and was appointed as an executive Director, the chairman of the Board and chief executive officer of the Company on 2 March 2005, 29 April 2005 and 26 March 2010 respectively. Since 2005, Mr. Yung led the Group to transform from the core business of environmental protection services to the provision of general hospital and healthcare and hospital management services in the PRC and had successfully completed the acquisition of the equity interest in some privately-run hospitals in the PRC. In 2006, the Company changed the Company's name to "Hua Xia Healthcare Holdings Limited" which marked the milestone for the Group's business development in the healthcare and hospital management services in the PRC.

As noted from the circular of the Company dated 19 August 2013 in relation to, among other things, the Spin-Off and the connected transaction involving the issue of non-redeemable convertible preference shares (the "**CPS Circular**"), financial position of the Company after the Spin-off (other than Wanjia and its subsidiaries) will be net liabilities which is mainly attributable to the promissory note beneficially held by Mr. Yung. In view that other possible ways and equity finance might not be feasible or cost effective, Mr. Yung agreed to subscribe the CPS-II to set off against part of the promissory note beneficially held by him for the purpose of enhancing the financial position of the Group (other than Wanjia and its subsidiaries) by reducing the liabilities and increasing the equity of the Group (other than Wanjia and its subsidiaries). Details of such transactions were set out in the CPS Circular.

As noted from the Board Letter, Mr. Liu is one of the controlling shareholders of Beijing Vantone Greatcity. Mr. Liu introduced cooperation opportunities to the Group. On 28 October 2014, Shanghai Whole-Care Hospital Management Co., Limited# (上海厚康醫院管理有限公司), a wholly-owned subsidiary of the Company and Beijing Vantone Greatcity entered into the MOU for a term of 5 years. We noted from the announcement of the Company dated 28 October 2014 in relation to the entering of the MOU (the "**MOU Announcement**"), the parties agreed to form a strategic alliance for the management service of hospitals, clinics and other healthcare institutions to be constructed in the Greatcity Projects (as defined in the MOU Announcement) which is one of the urban development projects conducted by Beijing Vantone Greatcity to invest in the construction of a completely self-sustaining entity with comprehensive infrastructure including education, commerce, healthcare, culture and to improve quality of life. The Greatcity Projects is now in development stage in the PRC, including but not limited to Xixian City in Shaanxi Province, Chengdu City in Sichuan Province and Wenzhou City in Zhejiang Province.

As further noted from the Board Letter, the Concert Party Group is optimistic about the future of the healthcare business in the PRC. Following the grant and approval of the Whitewash Waiver and completion of the Conversion, the Concert Party Group will become controlling Shareholders under the GEM Listing Rules. The Concert Party Group intends to continue the existing businesses of the Group after the Conversion. Save for the appointment of Mr. Tang Xun as the non-executive Director after the Conversion as set out in the section headed "**Proposed change of composition of the Board**" in the Board Letter, the Concert Party Group does not intend to introduce any major change to the existing operations and management structure of the Group, as a result of the Conversion, including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

We have found data from the National Bureau of Statistics of the PRC (the "**Bureau Statistics**") (www.stats.gov.cn) for the recent five years period from 2009 to 2013 and researched from governmental websites and we expected the following factors shall impact and drive the prospect and development of the PRC healthcare market in the foreseeable future.

1. General statistics of the healthcare sector in the PRC

Government health expenditures, defined as the expenditure of the governments at all levels on medical and health care services, medical subsidies, health administration and health insurance management, and undertakings of family planning etc., increased from approximately RMB481,626.0 million in 2009 to approximately RMB954,581.0 million in 2013, representing an increase of approximately 98.2%.

Number of licensed health care institutions, including hospitals, health care institutions at grass-root level, specialized public health institutions, and other medical and health care institutions, increased from 916,571 units in 2009 to 974,398 units in 2013, representing an increase of approximately 6.3%. Whereas number of beds in the health care institutions in the PRC increased from approximately 4.4 million units in 2009 to approximately 6.2 million units in 2013, representing an increase of approximately 40.0%.

2. Living standards of the population in the PRC

According to the data from the National Bureau, the gross domestic products of the PRC increased from approximately RMB34,090.3 billion in 2009 to approximately RMB56,884.5 billion in 2013, representing an increase of approximately 66.9%.

Household consumption expenditure, defined as the average consumer expenditure calculated on permanent population, increased from RMB9,283 in 2009 to RMB15,632 in 2013, representing an increase of approximately 68.4%. The annual consumption expenditure of urban household per capita for health care and medical services, defined as the costs of medicines, supplies and services, including medical instruments, health supplies, medical expenses, nourishing health care, health care services and other health care costs, has increased from RMB856.4 in 2009 to RMB1,118.3 in 2013, representing an increase of approximately 30.6%.

3. Population Ageing in the PRC

Population in the PRC for aged 65 and over increased from 113.1 million, contributing approximately 8.5% of the total population of 1,334.5 million in 2009 to 131.6 million, contributing approximately 9.9% of the total population of 1,360.7 million in 2013, representing an increase of approximately 16.4% and exceeding the increase in total population of approximately 2.0% during the span of 2009 to 2013.

Over the years, the government of the PRC has worked hard to develop its medical and health services in the PRC as illustrated by the increasing government health expenditures. It is believed that medical and healthcare is of vital importance to its population of over 1.3 billion, the government of the PRC has kept advancing the reform of its medical and healthcare system to ensure that every resident has access to safe, effective, convenient and affordable basic medical and health services in both the urban and rural areas. As noted from the above statistics, awareness and the demand of healthcare services as represented by expenditures on healthcare and medical services are increasing as living conditions of the population improves in the PRC. In furtherance, as the nation continues to develop, the demands for medical and healthcare spending in the PRC will be further driven by the fact of population ageing.

Having considered (i) the contribution by Mr. Yung to the business development of the Group; (ii) the continuous support to the Group by Mr. Yung for many years; (iii) the extensive network and sophisticated experience of Mr. Yung in healthcare business in the PRC; (iv) Mr. Yung is currently a substantial Shareholder beneficially holding approximately 22.25% of the shareholding interests of the Company, which in turn is the largest Shareholder and the key management of the Group; (v) the renowned and sophisticated business background of Mr. Liu as set out in the section headed "**C. Information on New Hope International and Mr. Liu**" in this letter; (vi) the introduction of the cooperation opportunities to the Group by Mr. Liu by the entering into of the MOU and, if materialise, would broaden the revenue source of the Group; (vii) the Conversion will broaden the capital base of the Group; (viii) becoming the controlling Shareholders, the Concert Party Group will have more incentive in the development of the business of the Group in order to maximize the Shareholders' profits; and (ix) the intention of the Concert Party Group to continue the existing businesses of the Group and the positive prospects of the healthcare business in the PRC, we concur with the view of the Directors that the Proposed Alteration, which enables the Concert Party Group to become the controlling Shareholders, will enhance the status of the Group in the capital market and will attract more professional institutional investors and thus is in the interests of the Company and the Independent Shareholders as a whole.

E. The Proposed Alteration

Deed of Amendments

Date:

9 January 2015

Parties:

(i) The Company;

(ii) Mr. Yung; and

(iii) New Hope International

Save for being the CPS-II Holder, New Hope International is an Independent Third Party.

Amendments to the CPS-II Terms

Details of the Proposed Alteration are set out below:

	Existing terms	**The Proposed Alteration**
Limitation on conversion:	Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (2) to the extent that following such exercise, the relevant holder of CPS-II and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30 per cent. or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or (3) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.	Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; or (2) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

"Statutes" means the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and every other law of the legislature of Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or the articles of association of the Company or the CPS-II Terms.

"Conversion Date" means, subject to provisions of CPS-II Terms, 12:00 noon on the business day immediately following the date of the surrender of the relevant certificate of CPS-II and delivery of the conversion notice, in such form as the Directors may from time to time specify, stating that a holder of CPS-II wishes to exercise the conversion right in respect of one or more CPS-II therefor accompanied by the documents referred to in the CPS-II Terms.

Other major terms of the CPS-II

As noted from the CPS Circular, the CPS-II, with a notional value of HK$0.01 per CPS-II, has no voting rights and, when allotted and issued and upon exercise of the conversion rights attached to the CPS-II, will rank *pari passu* in all respect with the Shares in issue on date of allotment and issue.

The issue price of HK$0.238 per CPS-II was arrived at after arm's length negotiations between the Company and Mr. Yung which represented a premium of over 10% over the average of the closing prices per Shares as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding 10 April 2013, being the date of the subscription agreement in relation to the subscription of the CPS-II, rounding up to the nearest third decimal point. The conversion price of the CPS-II is subject to adjustments upon the occurrence of consolidation or subdivision of the Shares, capitalisation issues, capital distribution, rights issues and issue of new Shares or convertible securities at issue or conversion price at more than 20% discount to the then market price per Share (being the current market price at the date of the announcement of the terms of such issue).

Neither the holder(s) of the CPS-II nor the Company shall have the right to redeem or request for the redemption of the CPS-II.

Holder(s) of each CPS-II shall have the same entitlement to dividend as holder of the number of the Share(s) into which such CPS-II may be converted upon exercise of conversion rights attached thereto.

The CPS-II may be assigned or transferred to any transferee provided that such transferee is not a connected person of the Company, unless the necessary approval (if any) be obtained from the Stock Exchange and from the independent shareholders of the Company.

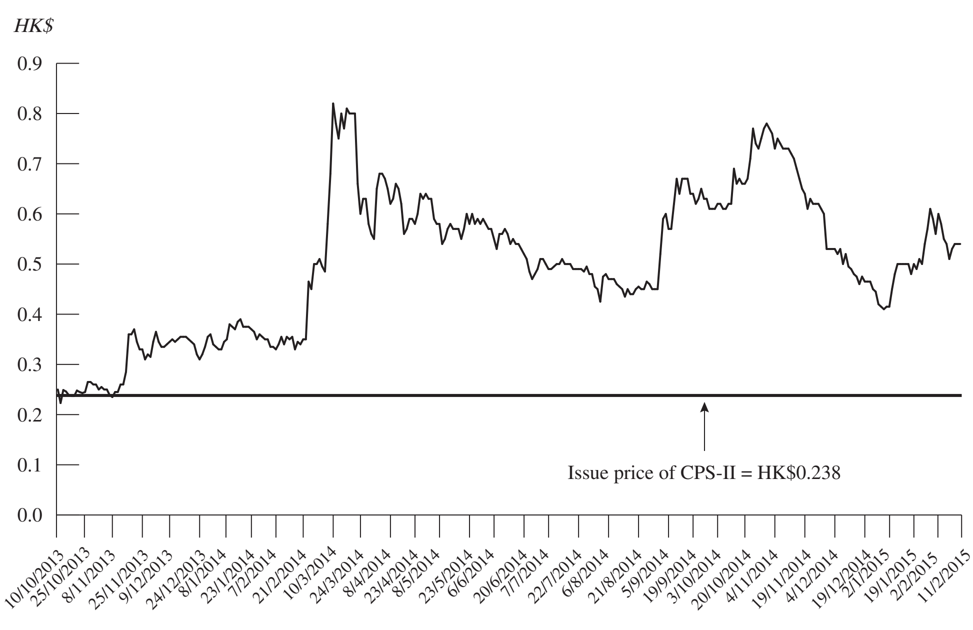
As noted from the Board Letter, apart from the amendments pursuant to the Proposed Alteration, all the other existing terms and conditions of the CPS-II shall remain intact and unchanged.

Issue price analysis

The issue price of HK$0.238 per CPS-II represents (i) a discount of approximately 52.40% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on 9 January 2015, being the date of the Deeds of Amendments; (ii) a discount of approximately 47.35% to the average of the closing price of HK$0.452 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding and up to the date of the Deed of Amendments; (iii) a discount of approximately 45.91% to the average of the closing price of HK$0.440 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately preceding and up to the date of the Deed of Amendments; and (iv) a discount of approximately 28.31% to the unaudited consolidated net asset value of the Company of approximately HK$0.332 per Share (the "**NAV per Share**") calculated based on the net asset value of the Group of approximately HK$383.9 million and the issued Shares of 1,157,388,264 as at 30 September 2014; and (v) a discount of approximately 55.93% to the closing price of HK$0.54 per Share as quoted on Stock Exchange on the Latest Practicable Date.

We have reviewed the closing price level of the Shares during the period from 10 October 2013 (being the completion date of the subscription of the CPS-II and the Spin-off) to the Latest Practicable Date (the "**Review Period**"). The graph below illustrated the closing price level of the Shares during the Review Period.

Closing prices of the Shares



Source: Bloomberg L.P. (www.bloomberg.com)

During the Review Period, the lowest closing price and the highest closing price of the Shares were HK$0.223 on 11 October 2013 and HK$0.820 on 10 March 2014 respectively, with an average closing price of approximately HK$0.502. The issue price of HK$0.238 per CPS-II represents approximately 52.59% discount to the average closing price of the Shares during the Review Period. As shown in the graph, although the closing price of the Shares fluctuated during the Review Period, the closing price of the Shares showed a gently increasing trend since the issue of the CPS-II.

Conditions precedent for the Proposed Alteration

The Proposed Alteration is subject to:

(a) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Deed of Amendments and the transactions contemplated thereunder;

(b) the obtaining of all necessary consents and approvals required on the part of the Company and on part of the CPS-II Holders in respect of the Deed of Amendments and the transactions contemplated thereunder; and

(c) the obtaining of all the approval from the Stock Exchange on the Proposed Alteration in accordance with the GEM Listing Rules.

None of the above conditions are capable of being waived. If any of the above conditions is not fulfilled on or before 30 April 2015 or such later date as the parties thereto may agree, the Proposed Alteration will not proceed, and all the existing terms and conditions of the CPS-II shall remain intact and unchanged.

Notwithstanding the fact that the issue price of the CPS-II represents a discount to the NAV per Shares and the market price of the Shares during almost the whole Review Period, having considered (i) the Concert Party Group may bring positive impact to the Group after Conversion given the factors considered in the section headed "**D. Reasons and benefits for the Proposed Alteration and the Conversion**" in this letter; (ii) the Conversion can signify the confidence of the Concert Party Group in the future development potential of the Group and help to promote the stability of the business development of the Group; (iii) if the Proposed Alteration is not approved by the Independent Shareholders, New Hope International may exercise the Put Option to require Mr. Yung to buy back all the CPS-II acquired by it under the Disposal Agreement and thus the Company will not be able to align with the benefits of Mr. Liu to become the controlling Shareholder; (iv) given the CPS-II is not redeemable and the 30% Threshold Restriction, further conversion of the CPS-II by Mr. Yung is restricted to dispose the existing Shares held by Mr. Yung or in the event the issued share capital of the Company is enlarged through equity financing activities and/or consideration issues, which in any event Mr. Yung will not become the controlling Shareholders, thus the Company will not be able to align with the benefits as set out in the section headed "**D. Reasons and benefits for the Proposed Alteration and the Conversion**" in this letter; (v) the Proposed Alteration is to remove the 30% Threshold Restriction only and other terms of the CPS-II remain unchanged; and (vi) the Proposed Alteration is subject to, amongst others, the approval by the Independent Shareholders at the EGM, we consider that the terms of the Proposed Alteration is on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

F. Potential dilution

As at the Latest Practicable Date, the Company has 1,157,388,264 Shares in issue. The Company also has (i) 98,500,000 CPS-I which are held by Mr. Yung; (ii) 504,201,680 CPS-II, of which 160,984,141 CPS-II are held by Mr. Yung and 343,217,539 CPS-II are held by New Hope International; (iii) 32,801,287 Share Options conferring rights to subscribe for an aggregate of 32,801,287 new Shares at exercise prices ranging from HK$0.5 to HK$3.61 per Share; and (iv) Convertible Note with an outstanding principal amount of HK$6,500,000 which entitle the holder thereof to convert into 3,421,053 Shares at the conversion price of HK$1.90 per Share.

As at the Latest Practicable Date, the Concert Party Group holds approximately 22.25% of the issued share capital of the Company. Assuming the Proposed Alteration having become effective and the Conversion become unconditional, no further Shares will be issued or repurchased by the Company prior to the issue of the Conversion Shares, no acquisition or disposal of Shares by any of the following parties prior to the allotment and issue of the Conversion Shares and upon full conversion of CPS-II (assuming no Share Option has been exercised and no CPS-I and Convertible Note has been converted), the shareholding of the existing Independent Shareholders will decrease from approximately 77.75% to approximately 54.15%. Having taken into account of the factors as set out in the section headed "**D. Reasons and benefits for the Proposed Alteration and the Conversion**" in this letter, we consider that the potential dilution effect on the existing Independent Shareholders is acceptable.

G. The Whitewash Waiver

Assuming that the Proposed Alteration having become effective and the Conversion become unconditional, and no further Shares will be issued or repurchased from the Latest Practicable Date until the allotment and issue of the Conversion Shares, the Conversion would result in the increase of the Concert Party Group's percentage shareholding in Shares from approximately 22.25% to approximately 45.85%. Accordingly, Mr. Yung and New Hope International will be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application to the Executive for the Whitewash Waiver in respect of the Conversion and the issue of the Conversion Shares has been made on behalf of the CPS-II Holders and parties acting in concert with any of them. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders by way of poll at the EGM. The Concert Party Group and their respective associates will abstain from voting at the EGM on the proposed resolutions approving the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver and the transactions contemplated respectively thereunder.

Pursuant to the Deed of Amendments, the Independent Shareholder's approval on the Whitewash Waiver is a condition precedent to the Conversion. If the approval of the Whitewash Waiver cannot be obtained by the Independent Shareholders, the Conversion will not take place. Given the benefits of the Conversion as set out in the section headed "**D. Reasons and benefits for the Proposed Alteration and the Conversion**" in this letter, we consider the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

1. FINANCIAL SUMMARY

Set out below are the financial information on the Group for the years ended 31 March 2012, 2013 and 2014, six months ended 30 September 2014 and the nine months ended 31 December 2014 as set out in the 2012, 2013 and 2014 annual reports of the Company, the 2014 interim report and the third quarterly report of the Company respectively, which are published on both the GEM website (www.hkgem.com) and the website of the Company (www.huaxia-healthcare.com) respectively.

Financial Summary

Results	For the years ended 31 March			For the six months ended 30 September	For the nine months ended 31 December
	2012	2013	2014	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	1,835,776	2,020,589	2,243,159	925,344	1,401,286
Cost of sales	(1,600,563)	(1,781,727)	(1,974,156)	(808,645)	(1,204,768)
Gross profit	235,213	238,862	269,003	116,699	196,518
Other revenue	8,689	10,376	10,258	7,974	13,146
Other income	3,666	1,153	1,360	–	–
Selling and distribution expenses	(78,500)	(79,677)	(94,873)	(59,100)	(111,159)
Administrative expenses	(74,049)	(86,354)	(92,316)	(46,541)	(72,636)
Loss on early redemption of promissory note	–	(1,389)	(16,269)	–	–
Gain on disposal of a subsidiary	611	–	–	–	–
Impairment loss on Goodwill	–	–	–	(785,483)	(785,483)
Profit/(loss) from operations	95,630	82,971	77,163	(766,451)	(759,614)
Finance costs	(11,223)	(10,288)	(10,493)	(5,368)	(8,225)
Profit/(loss) before taxation	84,407	72,683	66,670	(771,819)	(767,839)
Taxation	(26,378)	(22,141)	(29,216)	(7,252)	(9,571)
Profit/(loss) for the year/period	58,029	50,542	37,454	(779,071)	(777,410)
Other comprehensive income for the year/period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	10,726	2,441	7,284	612	1,326
Total comprehensive income/(loss) for the year/period	68,755	52,983	44,738	(778,459)	(776,084)

Results	For the years ended 31 March			For the six months ended 30 September	For the nine months ended 31 December
	2012	**2013**	**2014**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Profit/(Loss) for the year/period attributable to:					
Owners of the Company	49,666	42,740	21,913	(497,361)	(498,418)
Non-controlling interests	8,363	7,802	15,541	(281,710)	(278,992)
	58,029	50,542	37,454	(779,071)	(777,410)
Total comprehensive income/(loss) for the year/period attributable to:					
Owners of the Company	59,312	44,898	28,398	(496,985)	(496,398)
Non-controlling interests	9,443	8,085	16,340	(281,474)	(279,686)
	68,755	52,983	44,738	(778,459)	(776,084)
Earnings/(loss) per share attributable to owners of the Company					
– Basic *(HK cents per share)*	4.20	3.61	1.52	(28.259)	(28.319)
– Diluted *(HK cents per share)*	4.19	3.56	1.52	(28.255)	(28.313)

Assets and liabilities	As at 31 March			As at 30 September
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	37,809	36,421	36,374	65,684
Prepaid lease payments	32,986	32,036	31,365	30,803
Investment properties	7,611	8,157	8,306	8,324
Goodwill	788,418	788,420	788,420	30,468
	866,824	865,034	864,465	135,279
Current assets				
Inventories	110,553	124,038	133,939	151,178
Trade and other receivables and deposits	379,595	505,807	528,144	542,185
Financial assets at fair value through profit or loss	1,841	–	1,259	1,262
Derivative financial instruments	161	69	384	384
Pledged bank deposits	22,847	3,609	17,431	35,260
Cash and bank balances	109,212	79,980	92,418	110,577
Held-to-maturity investment	123	–	–	–
	624,332	713,503	773,575	840,846
Total assets	1,491,156	1,578,537	1,638,040	976,125
EQUITY				
Capital and reserves				
Share capital	11,824	11,824	17,562	17,601
Reserves	887,059	933,241	706,691	211,617
Equity attributable to owners of the Company	898,883	945,065	724,253	229,218
Non-controlling interests	41,161	40,974	426,170	154,640
Total equity	940,044	986,039	1,150,423	383,858

Assets and liabilities	As at 31 March			As at 30 September
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
LIABILITIES				
Current liabilities				
Trade and other payables	302,450	331,669	310,259	407,923
Bank borrowings	36,582	50,672	88,088	100,888
Amounts due to non-controlling shareholders	551	1,053	1,213	1,215
Tax payables	8,965	11,352	11,258	4,600
	348,548	394,746	410,818	514,626
Non-current liabilities				
Convertible note	4,282	4,627	5,012	5,220
Promissory note	197,735	192,635	71,361	72,029
Deferred taxation	547	490	426	392
	202,564	197,752	76,799	77,641
Total liabilities	551,112	592,498	487,617	592,267
Total equity and liabilities	1,491,156	1,578,537	1,638,040	976,125
Net current assets	275,784	318,757	362,757	326,220
Total assets less current liabilities	1,142,608	1,183,791	1,227,222	461,499

Note: There was no qualification made by the auditors of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, in respect of the Company's audited consolidated financial statements for each of the years ended 31 March 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2014

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2014 as extracted from the annual report of the Company for the year ended 31 March 2014:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	36,374	36,421
Prepaid lease payments	8	31,365	32,036
Investment properties	9	8,306	8,157
Goodwill	10	788,420	788,420
		864,465	865,034
Current assets			
Inventories	13	133,939	124,038
Trade and other receivables and deposits	14	528,144	505,807
Financial assets at fair value through profit or loss	15	1,259	–
Derivative financial instruments	16	384	69
Pledged bank deposits	17	17,431	3,609
Cash and bank balances	17	92,418	79,980
		773,575	713,503
Total assets		1,638,040	1,578,537
EQUITY			
Capital and reserves			
Share capital	18	17,562	11,824
Reserves		706,691	933,241
Equity attributable to 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	*20*	310,259	331,669
Bank borrowings	*21*	88,088	50,672
Amounts due to non-controlling shareholders	*22*	1,213	1,053
Tax payables		11,258	11,352
		410,818	394,746
Non-current liabilities			
Convertible note	*23*	5,012	4,627
Promissory note	*24*	71,361	192,635
Deferred taxation	*25*	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

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	12	975,503	108,692
Current assets			
Other receivables and deposits	14	355	354
Derivative financial instruments	16	384	69
Cash and bank balances		16,490	8,476
Amounts due from subsidiaries	12	63,123	878,391
		80,352	887,290
Total assets		1,055,855	995,982
EQUITY			
Capital and reserves			
Share capital	18	17,562	11,824
Reserves	19	674,297	759,958
Equity attributable to owners of the Company		691,859	771,782
LIABILITIES			
Current liabilities			
Accruals and other payables	20	2,940	1,452
Amounts due to subsidiaries	12	284,257	24,996
		287,197	26,448
Non-current liabilities			
Convertible note	23	5,012	4,627
Promissory note	24	71,361	192,635
Deferred taxation	25	426	490
		76,799	197,752
Total liabilities		363,996	224,200
Total equity and liabilities		1,055,855	995,982
Net current (liabilities)/assets		(206,845)	860,842
Total assets less current liabilities		768,658	969,534

The accompanying notes form an integral part of these consolidated financial statements.

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	27	2,243,159	2,020,589
Cost of sales		(1,974,156)	(1,781,727)
Gross profit		269,003	238,862
Other revenue	27	10,258	10,376
Other income	28	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	28	77,163	82,971
Finance costs	31	(10,493)	(10,288)
Profit before taxation		66,670	72,683
Taxation	32	(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 HK$'000	2013 HK$'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)*	*34*	1.52	3.61
– Diluted *(HK cents per share)*	*34*	1.52	3.56

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to the 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 *(Note 35)*.

(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 set out in Note 4.

(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.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	66,670	72,683
Adjustments for:		
Interest income	(3,315)	(3,040)
Interest expenses	10,493	10,288
Amortisation of prepaid lease payments	1,257	1,224
Depreciation of property, plant and equipment	10,551	10,545
Change in fair value of investment properties	–	(492)
Change in fair value of derivative financial instruments	(315)	92
Loss on early redemption of promissory note	16,269	1,389
(Gain)/loss on disposal of property, plant and equipment	(299)	276
Realised gain on financial assets at fair value through profit or loss	(117)	–
Impairment loss recognised in respect of trade and other receivables	1,863	989
Reversal of impairment loss recognised in respect of trade and other receivables	(746)	(551)
Share-based payment expenses	–	1,284
Operating cash inflows before movements in working capital	102,311	94,687
Increase in inventories	(7,652)	(13,485)
Increase in trade and other receivables and deposits	(14,308)	(126,650)
(Decrease)/increase in trade and other payables	(27,389)	29,219
Decrease in amounts due to non-controlling shareholders	151	1,841
Net cash generated from/(used in) operations	53,113	(14,388)
Withholding tax (paid)/refund	(2,383)	612
Overseas tax paid	(27,198)	(20,423)
Net cash generated from/(used in) operating activities	23,532	(34,199)

	2014	2013
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,315	3,040
Purchase of property, plant and equipment	(10,153)	(9,242)
Purchase of financial assets at fair value through profit or loss	(60,475)	–
Purchase of prepaid lease payments	–	(60)
Proceeds from disposal of property, plant and equipment	609	–
Proceeds from disposal of financial assets at fair value through profit or loss	59,332	–
Proceeds from disposal of held-to-maturity investments	–	123
Net cash used in investing activities	(7,372)	(6,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,651)	(6,432)
(Increase)/decrease in pledged bank deposits	(13,772)	19,238
Dividends paid to non-controlling interests	(4,731)	(7,770)
Redemption of promissory notes	(20,000)	(10,000)
Proceeds from exercise of share options	12,030	–
Professional expenses incurred in connection with the issuance of new shares of a subsidiary	(7,653)	–
Proceeds from bank borrowings	88,193	53,138
Repayment of bank borrowings	(51,656)	(39,048)
Net cash (used in)/generated from financing activities	(5,240)	9,126
Net increase/(decrease) in cash and cash equivalents	10,920	(31,212)
Cash and cash equivalents at the beginning of the year	79,980	109,212
Effect of foreign currency exchange rate changes	1,518	1,980
Cash and cash equivalents at the end of the year	92,418	79,980
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	92,418	79,980

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2014

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. The principal activities of its subsidiaries are set out in Note 41 to the consolidated financial statements.

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 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
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

These consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by 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.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the consolidated financial statements.

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration of given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair values or another measurement basis required by another HKFRSs.

When the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) Sales of goods

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Provision of services

Revenue from provision of hospital service is recognised when the services are provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance assets are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated statement of profit or loss and other comprehensive income.

Rental payable under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments for land use rights

Prepaid lease payments for land use rights are stated as cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight line basis over the relevant interest in leasehold land.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Building	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	20%
Furniture, fixtures and equipment	20% to 33%
Motor vehicles	20%
Office equipment	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss and other comprehensive income.

Impairment of assets (other than goodwill, intangible assets with indefinite lives)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and deferred tax assets are recognised to the extent that it is probable that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to consolidated statement of profit or loss and other comprehensive income except when it relates to items charged or credited directly or equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL represent investments held for trading.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately in respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, respecting the embedded call option for the holder to convert the bond into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transactions costs relating to the equity component are charged directly to convertible notes reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Company and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated statement of profit or loss and other comprehensive income.

Financial liabilities are removed from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in consolidated statement of profit or loss and other comprehensive income.

Foreign currencies

i. Functional and presentation currency

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Company.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

iii. Group companies

The results and financial positions of all the companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rate;

(b) Income and expenses are translated at average exchange rate; and

(c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Current assets and liabilities

Current assets are expected to be realised within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the reporting period of the expenditures expected to be required to settle the obligation.

Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income as incurred.

iii. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

iv. Share-based payment expenses

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binominal lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated statement of profit or loss and other comprehensive income for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statement of profit or loss and other comprehensive income in the period in which the costs are incurred.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties under construction have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year in which the item is derecognised.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Related Parties Transactions

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in Note 4, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Impairment of non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgements from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the assets residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

(e) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(f) Fair value of investment properties

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting direct comparison method. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market condition, the fair value of the investment properties will change in future.

(g) Measurement of fair value of equity-settled transactions

The Company operates share option schemes under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

6. 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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 described in Note 4. 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 as described in Note 10.

- 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 27 to the consolidated financial statements.

7. Property, plant and equipment

The Group

	Building	Furniture and fixtures	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2012	5,794	3,913	28,381	21,992	11,136	22,628	93,844
Additions	–	119	3,722	3,015	492	1,894	9,242
Exchange realignment	39	26	188	148	61	142	604
Disposals	–	–	(231)	–	(264)	(556)	(1,051)
At 31 March 2013 and 1 April 2013	5,833	4,058	32,060	25,155	11,425	24,108	102,639
Additions	–	343	2,930	2,752	1,004	3,124	10,153
Exchange realignment	106	73	572	453	173	407	1,784
Disposals	–	–	(383)	–	(2,621)	(550)	(3,554)
At 31 March 2014	5,939	4,474	35,179	28,360	9,981	27,089	111,022
Depreciation and impairment							
At 1 April 2012	906	3,144	13,370	19,206	6,830	12,579	56,035
Provided for the year	174	385	4,711	1,079	1,246	2,950	10,545
Written back on disposals	–	–	(231)	–	(208)	(336)	(775)
Exchange realignment	7	23	113	137	40	93	413
At 31 March 2013 and 1 April 2013	1,087	3,552	17,963	20,422	7,908	15,286	66,218
Provided for the year	178	364	4,467	1,855	1,116	2,571	10,551
Written back on disposals	–	–	(383)	–	(2,387)	(474)	(3,244)
Exchange realignment	20	64	311	368	108	252	1,123
At 31 March 2014	1,285	3,980	22,358	22,645	6,745	17,635	74,648
Net book values							
At 31 March 2014	4,654	494	12,821	5,715	3,236	9,454	36,374
At 31 March 2013	4,746	506	14,097	4,733	3,517	8,822	36,421

The building was held outside Hong Kong under medium term lease.

8. Prepaid lease payments

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC under medium term lease	32,620	33,269
Analysed for reporting purposes as:		
Current assets (include in trade and other receivables and deposits) *(Note 14)*	1,255	1,233
Non-current assets	31,365	32,036
	32,620	33,269

The Group's prepaid lease payments represented payments for land use rights situated in the PRC. The leasehold lands have a lease term of 25 to 35 years and the Group has processed the land use rights of the leasehold land during the lease term.

At 31 March 2014, prepaid lease payments with carrying amount of approximately HK$1,979,000 (2013: Nil) were pledged as collaterals to secure banking facilities granted to the Group *(Note 36)*.

9. Investment properties

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Completed investment properties	8,306	8,157
At fair value		
At 1 April	8,157	7,611
Exchange realignment	149	54
Fair value change	–	492
At 31 March	8,306	8,157

The fair values of the Group's investment properties at 31 March 2014 and 2013 have been arrived at on the basis of a valuation carried out at that date by Messrs. Asset Appraisals Limited, independent qualified professional valuer not connected to the Group.

The valuation was arrived at by using the direct comparison approach with reference to market evidence of transaction prices for similar properties.

There had been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2014	**2013**
	HK$'000	*HK$'000*
Land in the PRC:		
Medium-term lease	8,306	8,157

The Group leases out its investment properties which are shop units of a 9-storey composite building to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which all terms are renegotiable. None of the leases includes contingent rentals. For the year ended 31 March 2014, property rental income earned during the year was approximately HK$450,000 (2013: HK$436,000). There were no direct operating expenses arising from the investment properties for the years ended 31 March 2014 and 2013. The property held had committed tenants for the next 1.5 (2013: 2.5) years. At the end of the reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2014	**2013**
	HK$'000	*HK$'000*
Within one year	300	457
In the second to fifth years inclusive	54	300
	354	757

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2014 and 2013 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment property unit located in the PRC	–	8,306	–	8,306

	Level 1	**Level 2**	**Level 3**	**Fair value as at 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment property unit located in the PRC	–	8,157	–	8,157

There were no transfers into or out of level 3 during the years ended 31 March 2014 and 2013.

As at 31 March 2014, investment properties with carrying amount of approximately HK$8,306,000 (2013: Nil) were pledged as collaterals to secure banking facilities granted to the Group *(Note 36)*.

10. Goodwill

	The Group
	HK$'000
Cost	
At 1 April 2012	1,063,231
Exchange realignment	2
At 31 March 2013, 1 April 2013 and 31 March 2014	1,063,233
Accumulated impairment losses	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	274,813
Carrying value	
At 31 March 2014	788,420
At 31 March 2013	788,420

Note:

At the end of the reporting period, the Group assessed the recoverable amount of the cash generating units in with goodwill was allocated, and determined that no impairment loss on goodwill is recognised in the consolidated statement of profit or loss and other comprehensive income (2013: Nil).

Particulars regarding impairment testing on goodwill are disclosed in Note 11 to the consolidated financial statements.

11. Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2014 and 2013 are allocated as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited ("Jiaxing Shuguang")		
– provision of general hospital services in the PRC	2,899	2,899
Nurture Fit Limited and its subsidiaries		
– pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC	785,169	785,169
Quanzhou Huihao		
– pharmaceutical retail chain business in the PRC	352	352
	788,420	788,420

Jiaxing Shuguang – Provision of general hospital services in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 4-year period, as the directors consider the lease term of hospital premises as the budgeted period and a discount rate of 12.28% (2013: 10.40%) per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

The discount rate used reflects specific risks relating to the relevant business and consistent with external sources of information. Assuming the discount rate increases by 150 basis points, there is still sufficient headroom and no provision for impairment is required for goodwill allocated as at 31 March 2014 (2013: Nil).

Nurture Fit and its subsidiaries – Pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 10.33% (2013: 9.01%) per annum. The cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 1% (2013: 1%) per annum by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

The discount rate used reflects specific risks relating to the relevant business and consistent with external sources of information. Assuming the growth rate decreases by or the discount rate increases by 150 basis points, there is still sufficient headroom and no provision for impairment is required for goodwill allocated as at 31 March 2014 (2013: Nil).

Quanzhou Huihao – Pharmaceutical wholesale and distribution business in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.33% (2013: 9.01%) per annum. The cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 1% (2013: 1%) per annum by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

The discount rate used reflects specific risks relating to the relevant business and consistent with external sources of information. Assuming the growth rate decreases by or the discount rate increases by 150 basis points, there is still sufficient headroom and no provision for impairment is required for goodwill allocated as at 31 March 2014 (2013: Nil).

12. Interests in subsidiaries

	The Company	
	2014	**2013**
	HK$'000	*HK$'000*
Unlisted shares, at costs	1,243,078	376,267
Less: Impairment loss recognised	(267,575)	(267,575)
	975,503	108,692

The amounts due from/to subsidiaries are unsecured, interest free and recoverable/ repayable on demand.

The carrying amounts of the investments in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Company's principal subsidiaries at 31 March 2014 are set out in Note 41 to the consolidated financial statements.

In the preparation for the listing of shares of Wanjia Group on the Main Board of the Stock Exchange, the Group underwent the Reorganisation, and as a result of which the outstanding amount of approximately HK$866,811,000 due from Timely Hero to the Company on 3 September 2013 was capitalised in the Company's investment cost on the same date *(Note 2)*.

13. Inventories

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Finished goods	133,939	124,038

14. Trade and other receivables and deposits

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	284,223	358,812	–	–
Bill receivables	7,748	7,490	–	–
Prepayments and deposit paid	140,693	68,747	355	354
Prepaid lease payments *(Note 8)*	1,255	1,233	–	–
Other receivables	101,789	75,966	–	–
	535,708	512,248	355	354
Less: Impairment loss recognised in respect of other receivable	(7,564)	(6,441)	–	–
	528,144	505,807	355	354

Included in the Group's other receivables as at 31 March 2014 is a loan of approximately HK$47,745,000 (2013: HK$46,892,000) advanced to Zhuhai Jiulong Hospital Limited ("Zhuhai Jiulong"), which is an independent third party, and is secured by the entire issued share capital of Zhuhai Jiulong, carries interest at 5% (2013: 5%) per annum and is recoverable on demand. Included in the Group's other receivables as at 31 March 2014 is another loan of approximately HK$18,404,000 (2013: HK$ Nil) advanced to an independent third party, which is unsecured, carries interest at 6% per annum and is recoverable on demand.

Included in the Group's other receivables as at 31 March 2014 were value added tax ("VAT") recoverable of approximately HK$9,750,000 (2013: HK$10,753,000).

As at 31 March 2014, bills receivable of approximately HK$7,748,000 (2013: HK$7,490,000) will be matured within six months after the end of the reporting period. All the bills receivable are denominated in RMB.

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:

	The Group	
	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

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The individually impaired trade receivables related to customers that were in financial difficulties and the directors of the Company assessed that the amounts are not expected to be recovered based on past default experience, payment history and subsequent settlement of the customers.

The carrying amounts of the Group's trade receivables are denominated in Renminbi.

Ageing of trade receivables that are past due but not impaired

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Overdue by:		
1 to 90 days	28,337	59,004
91 to 180 days	15,884	3,931
Over 180 days	12,384	2,472
Total	56,605	65,407

Movements in the provision for impairment loss of trade receivables

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
At 1 April	1,692	1,375
Exchange realignment	26	9
Reversal of provision for the year	(645)	(551)
Impairment losses recognised	753	859
At 31 March	1,826	1,692

Ageing of impaired trade receivables

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Over 365 days	1,826	1,692

Movement in the provision for impairment loss of other receivables is summarised as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
At 1 April	6,441	6,269
Exchange realignment	114	42
Reversal of provision for the year	(101)	–
Impairment losses recognised	1,110	130
At 31 March	7,564	6,441

15. Financial assets at fair value through profit or loss

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Investment at fair value	1,259	–

At 31 March 2014, the Group's investment in open-end asset portfolio wealth management products were designated at financial assets at fair value through profit or loss of which fair values are determined by reference to the quoted market bid prices available on the relevant PRC market.

16. Derivative financial instruments

The Group and the Company

	Redemption option contract
	HK$'000
At 1 April 2012	161
Fair value change	(92)
At 31 March 2013 and 1 April 2013	69
Fair value change	315
At 31 March 2014	384

Note:

Derivative financial instruments represented the early redemption option element of the convertible note issued by the Group and are measured at fair value using the binomial tree pricing model ("Binomial Model") at the end of each reporting period.

17. Cash and bank balances and pledged bank deposits

As at 31 March 2014, cash and bank balances of the Group included currencies denominated in Renminbi ("RMB") amounted to approximately HK$66,905,000 (2013: HK$67,648,000). The RMB is not freely convertible into other currencies, but conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorization to conduct foreign exchange business.

Bank balances are deposits with creditworthy banks with no recent history of default.

As at 31 March 2014, certain bank deposits of the Group of approximately HK$17,431,000 (2013: HK$3,609,000) were pledged as collateral to secure banking facilities granted to the Group. The pledged bank deposits carry interest at 2.8% (2013: 3.0%) per annum and were denominated in RMB.

18. Share capital

	Number of share	Amount
		HK$'000
Authorised:		
Ordinary shares		
Ordinary shares of HK$0.01 each		
– at 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	110,000,000,000	1,100,000
Non-voting convertible preference shares		
Non-voting convertible preference shares of HK$0.01 each		
– at 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	40,000,000,000	400,000
Issued and fully paid:		
Ordinary shares		
Ordinary shares of HK$0.01 each		
– at 1 April 2012	910,938,264	9,109
– converted from convertible preference shares	173,000,000	1,730
Ordinary shares of HK$0.01 each		
– at 31 March 2013 and 1 April 2013	1,083,938,264	10,839
– exercise of share options	69,550,000	696
Ordinary shares of HK$0.01 each		
– at 31 March 2014	1,153,488,264	11,535

	Number of share	Amount
		HK$'000
Non-voting convertible preference shares (note (a))		
Non-voting convertible preference shares of HK$0.01 each		
– at 1 April 2012	271,500,000	2,715
– conversion to ordinary shares	(173,000,000)	(1,730)
Non-voting convertible preference shares of HK$0.01 each		
– at 31 March 2013 and 1 April 2013	98,500,000	985
– issue on redemption of promissory note	504,201,680	5,042
Non-voting convertible preference shares of HK$0.01 each		
– at 31 March 2014	602,701,680	6,027

Note:

(a) The preference shares are non-voting shares. The holders of the preference shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holders of the preference shares have the right to convert any preference share into the Company's ordinary shares at any time at the conversion price at the rate of 1 to 1 each. The conversion price will be subject to adjustments only upon occurrence of certain dilutive events.

All the shares issued during the year rank *pari passu* with the then existing shares in all respects.

19. Reserves

The Company

	Share premium	Capital reserve	Share-based payment reserve	Contributed surplus	Convertible note reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	190,250	579,395	14,862	1,452	2,537	(22,173)	766,323
Issue of share options	–	–	1,284	–	–	–	1,284
Loss for the year	–	–	–	–	–	(7,649)	(7,649)
At 31 March 2013 and 1 April 2013	190,250	579,395	16,146	1,452	2,537	(29,822)	759,958
Issue of non-redeemable convertible preference shares	114,958	–	–	–	–	–	114,958
Exercise of share options	11,761	–	(427)	–	–	–	11,334
Lapse of share options	–	–	(74)	–	–	74	–
Profit for the year	–	–	–	–	–	71,832	71,832
Dividend by way of a distribution in specie *(Note 35)*	–	(283,785)	–	–	–	–	(283,785)
At 31 March 2014	316,969	295,610	15,645	1,452	2,537	42,084	674,297

(a) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2001 and the nominal amount of the Company's shares issued for the acquisition.

(b) The Company had distributable reserves (including share premium, capital reserve and retained profits) of approximately HK$654,663,000 as at 31 March 2014 (2013: HK$739,823,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account and capital reserve of the Company.

20. Trade and other payables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*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	2,940	1,452
	310,259	331,669	2,940	1,452

Included in the Group's accruals and other payables as at 31 March 2014 were deposits received from customers of approximately HK$16,117,000 (2013: HK$1,242,000).

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

	The Group	
	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.

The bills payables will be matured within six months from the end of the reporting period. The bills payables were secured by certain pledged bank deposits. All the bills payable are denominated in RMB.

21. Bank borrowings

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Bank borrowings – secured *(Notes (a) and (b))*	88,088	50,672

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year shown under current liabilities	88,088	50,672

Notes:

(a) As at 31 March 2014, the secured bank borrowings of approximately HK$62,920,000 carries variable interest rate ranging from 7.78% to 8.40% per annum, and secured bank borrowings of approximately HK$25,168,000 carries fixed interest rate at 8.10% per annum.

As at 31 March 2014, the secured bank borrowings were secured by certain bank deposits and land and building *(Note 36)*, and were secured by corporate guarantee by inter-group company.

As at 31 March 2013, the secured bank borrowings of approximately HK$12,359,000 were secured by personal guarantee by Mr. Weng Jiaxing, an ex-director of the Company and an independent third party and secured bank borrowings of approximately HK$37,077,000 were secured by corporate guarantee by independent third parties, carries fixed interest rate at 7.57% to 7.80% per annum.

As at 31 March 2013, the secured bank borrowings of approximately HK$1,236,000 were secured by corporate guarantee by inter-group company, carries variable interest rate at 7.80% per annum.

(b) The secured bank borrowings were denominated in Renminbi.

22. Amounts due to non-controlling shareholders

Amounts due to non-controlling shareholders are unsecured, interest free and repayable on demand.

23. Convertible note

On 9 May 2007, the Group acquired the entire issued share capital of Hero Vision at a consideration of HK$157,300,000, of which HK$33,000,000 was satisfied by the issue of convertible note (the "Convertible Note"). The Convertible Note initially matures at the second anniversary of the issue date. On 8 May 2009, the maturity date of Convertible Note was extended from 8 May 2009 to 9 May 2017. The conversion price per share was HK$1.90.

The Convertible Note contains three components, redemption option, liability and equity elements. The equity element is presented in equity heading "Convertible note reserve". The effective interest rate of the liability component is 10.97%.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity in convertible note reserve.

The Convertible Note recognised in the consolidated statement of financial position was calculated as follows:

	The Group and the Company
	HK$'000
Fair value of Convertible Note issued on 9 May 2007	54,750
Derivative financial instruments	514
Equity component	(25,125)
Liability component on initial recognition and amortised cost at 9 May 2007	30,139
Amortised cost at 1 April 2012	4,282
Interest expense	475
Interest payable	(130)
Amortised cost at 31 March 2013 and 1 April 2013	4,627
Interest expense	515
Interest payable	(130)
At 31 March 2014	5,012

As at 31 March 2014, the outstanding principal amount of Convertible Note was HK$6,500,000 (2013: HK$6,500,000).

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 10.97% to the liability component.

24. Promissory note

On 8 March 2010, the Company issued promissory note (the "Promissory Note") in a principal amount of HK$290,000,000 due on 7 March 2020. The Promissory Note was issued for acquiring the entire issued share capital of Nurture Fit Limited and bear interest at 1% per annum, payable semi-annually in arrears. The effective interest rate is 3%.

	The Group and the Company
	HK$'000
At 1 April 2012	197,735
Interest expense	5,723
Interest payable	(2,212)
Redemption during the year	(8,611)
At 31 March 2013 and 1 April 2013	192,635
Interest expense	3,963
Interest payable	(1,506)
Redemption during the year	(123,731)
At 31 March 2014	71,361

During the year ended 31 March 2014, part of the Promissory Note with principal amount of HK$140,000,000 (2013: HK$10,000,000) was early redeemed by the Company at a consideration equals to the principal amount, of which HK$20,000,000 (2013: HK$10,000,000) was satisfied by cash and HK$120,000,000 (2013: Nil) was satisfied by issue of 504,201,680 convertible preference shares of the Company at notional value of HK$0.01 each. A loss on early redemption of the Promissory Note of approximately HK$16,269,000 (2013: HK$1,389,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2014, the outstanding principal of the Promissory Note was HK$80,000,000 (2013: HK$220,000,000).

25. Deferred taxation

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

Deferred tax liabilities:

	Convertible note *HK$'000*
At 1 April 2012	547
Credited to profit or loss *(Note 32)*	(57)
At 31 March 2013 and 1 April 2013	490
Credited to profit or loss *(Note 32)*	(64)
At 31 March 2014	426

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 *HK$'000*	**2013** *HK$'000*
Deferred tax assets	–	–
Deferred tax liabilities	(426)	(490)
	(426)	(490)

At the end of the reporting period, the Group and the Company has unutilised tax losses of approximately HK$39,091,000 (2013: HK$39,514,000) and nil (2013: nil) respectively available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits streams of the subsidiaries which incurred the tax losses. These tax losses in Hong Kong may be carried forward indefinitely and the tax losses in PRC may be expired within five years.

26. Share option scheme

(a) Pre-listing share options

Pursuant to the pre-listing share option scheme adopted by the Company on 20 April 2002, the Company may grant options at HK$1 per offer to any directors, employees, consultants, and advisors of the Company or its subsidiaries, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. All of these options have duration of 10 years from and including 10 May 2002 subject to the terms of the scheme.

The Company's pre-listing share options are exercisable in three equal trenches from 10 November 2002, 10 May 2003 and 10 May 2004, respectively, to 9 May 2012 at an exercise price of HK$2.35 per share. During the year ended 31 March 2013, 237,777 pre-listing share options outstanding at 1 April 2012 were lapsed. As at 31 March 2014 and 2013, there is no outstanding pre-listing share option.

(b) Post-listing share options

Pursuant to the post-listing share option scheme also adopted by the Company on 20 April 2002, the Company may grant options at HK$1 per offer to any director, employee, any supplier of goods or services, any customer, any person or entity that provides research, development or other technical support or any shareholder of the Group or any investee or any holder of any securities issued by any member of the Group or any investee, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the post-listing share option scheme shall not exceed 10% of the issued share capital of the Company from time to time. No participant shall be granted an option, if exercise in full, would result in the total number of shares already issued under all the options granted to him or her that are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue. The exercise price of the share options will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

New share option scheme (the "New Share Option Scheme") adopted by the Company on 10 August 2011, the Company may grant options at the price not less than the highest of (1) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (2) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of the grant;

and (3) the nominal value of the share on the date of grant to any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. The total numbers of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded. Any grant of options to a connected person (including but not limited to a director, chief executive or substantial shareholder) or its associates must be approved by the independent nonexecutive directors (excluding any independent nonexecutive director who is the grantee of the options). No participant shall be granted an option, if exercise in full, would result in the total number of share issued and to be issued upon exercise of the options granted to him or her that for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue. The share options are exercisable for a period not later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme.

Details of the movements in the number of share options during the year are as follows:

	Number of share options								
Type of participants	Outstanding at 1 April 2013	Granted during the year	#Exercised during the year	Adjustment during the year	Lapsed during the year	Outstanding at 31 March 2014	Date of grant	Exercise price per share	Exercise period
Directors									
Mr. Yung Kwok Leong	1,700,000	–	–	–	–	1,700,000	30 March 2009	HK$0.5	30 September 2009 to 29 March 2019
Mr. Zheng Gang	800,000	–	(800,000)	–	–	–	30 March 2009	HK$0.5	30 September 2009 to 29 March 2019
	2,814,084	–	–	–	–	2,814,084	18 March 2010	HK$1.12	23 March 2010 to 22 March 2015
	6,700,000	–	(6,700,000)	–	–	–	31 December 2011	HK$0.16	1 January 2012 to 31 December 2013
Mr. Chen Jin Shan	1,700,000	–	(1,700,000)	–	–	–	30 March 2009	HK$0.5	30 September 2009 to 29 March 2019
	2,084,507	–	–	–	–	2,084,507	18 March 2010	HK$1.12	23 March 2010 to 22 March 2015
	6,700,000	–	(6,700,000)	–	–	–	30 December 2011	HK$0.16	1 January 2012 to 31 December 2013

Type of participants	Number of share options: Outstanding at 1 April 2013	Granted during the year	#Exercised during the year	Adjustment during the year	Lapsed during the year	Outstanding at 31 March 2014	Date of grant	Exercise price per share	Exercise period
Dr. Jiang Tao	800,000	–	–	–	–	800,000	30 March 2009	HK$0.5	30 September 2009 to 29 March 2019
	1,563,380	–	–	–	–	1,563,380	18 March 2010	HK$1.12	23 March 2010 to 22 March 2015
	2,000,000	–	(2,000,000)	–	–	–	30 December 2011	HK$0.16	1 January 2012 to 31 December 2013
Dr. Huang Jiaqing	1,000,000	–	(1,000,000)	–	–	–	30 March 2009	HK$0.5	30 September 2009 to 29 March 2014
	312,676	–	–	–	–	312,676	18 March 2010	HK$1.12	23 March 2010 to 22 March 2015
	1,000,000	–	(1,000,000)	–	–	–	31 December 2011	HK$0.16	1 January 2012 to 31 December 2013
Dr. Wong Yu Man, James	1,000,000	–	(1,000,000)	–	–	–	31 December 2011	HK$0.16	1 January 2012 to 31 December 2013
	30,174,647	–	(20,900,000)	–	–	9,274,647			
Employees	459,739	–	–	–	–	459,739	13 July 2006	HK$3.61	13 July 2006 to 12 July 2016
	1,042,253	–	–	–	–	1,042,253	21 March 2007	HK$2.94	21 March 2007 to 20 March 2017
	8,200,000	–	(3,050,000)	–	(4,700,000)	450,000	30 March 2009	HK$0.5	30 September 2009 to 29 March 2019
	21,574,648	–	–	–	–	21,574,648	18 March 2010	HK$1.12	23 March 2010 to 22 March 2015
	49,500,000	–	(49,500,000)	–	–	–	31 December 2011	HK$0.16	1 January 2012 to 31 December 2013
	110,951,287	–	(73,450,000)	–	(4,700,000)	32,801,287			
Weighted average exercise price	HK$0.49	–	HK$0.19	–	HK$0.50	HK$1.16			

\# *As at 31 March 2014, 3,900,000 post-listing share options have been exercised to which ordinary shares have not been allotted. Those ordinary shares were subsequently allotted in April 2014.*

The post-listing share options outstanding at 31 March 2014 had weighted average remaining contractual life of 1.42 (2013: 1.38) years.

Notes:

(i) The Group recognises the fair value of share options granted as an expense in the consolidated statement of profit or loss and other comprehensive income when they were granted with a corresponding increase being recognised in share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the consolidated statement of profit or loss and other comprehensive income of the respective periods. During the year ended 31 March 2014, nil (2013: approximately HK$1,284,000) share-based payment expenses were recognised.

(ii) Share options granted under the pre-listing share options scheme are not expensed as the options were all granted and vested before 7 November 2002 and not subject to requirements of HKFRS 2.

(iii) The estimated fair value of each option granted on 13 July 2006, 24 July 2006, 21 March 2007, 30 March 2009, 18 March 2010 and 30 December 2011 are approximately HK$0.226, HK$0.0188, HK$0.0384, range from HK$0.012 to HK$0.021, range from HK$0.036 to HK$0.062 and HK$0.0058 respectively.

The fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	Share option grant date					
Date of grant	**13 July 2006**	**24 July 2006**	**21 March 2007**	**30 March 2009**	**18 March 2010**	**30 December 2011**
Stock asset price	HK$0.83	HK$0.82	HK$0.51	HK$0.03	HK$0.098	HK$0.128
Exercise price	HK$0.627	HK$0.62	HK$0.51	HK$0.05	HK$0.117	HK$0.160
Expected volatility	57.06%	44.89%	119.62%	100.13%	95.53%	53.02%
Risk-free rate	3.984%	3.830%	3.682%	1.62%	1.68%	0.25%
Expected dividend yield	0%	0%	0%	0%	0%	0%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares set out as above.

Because the Binomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

(iv) As at 31 March 2014, 32,801,287 (2013: 110,951,287) share options are exercisable.

(v) In accordance with the terms of share-based arrangement, the share options granted on 30 March 2009 are exercisable in the following manner:

(a) up to 40% of the share options granted to each grantee shall be exercisable on or after 30 September 2009 to 30 March 2010;

(b) up to further 30% of the share options granted to each grantee shall be exercisable on or after 31 March 2010 to 30 March 2011; and

(c) all the remaining 30% of the share options granted to each grantee shall be exercisable on or after 31 March 2011 to 30 March 2013, and in each case, not later than 29 March 2019.

(vi) In accordance with the terms of share-based arrangement, the share options granted on 18 March 2011 are exercisable in the following manner:

(a) up to 40% of the share options granted to each grantee shall be exercisable on or after 23 March 2010 to 22 March 2011;

(b) up to further 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2011 to 22 March 2012;

(c) up to further 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2012 to 22 March 2013; and

(d) all the remaining 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2013 to 22 March 2014, and in each case, not later than 22 March 2015.

27. 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

28. Profit from operations

Profit from operations has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Directors' remuneration *(Note 29)*	2,739	3,047
Share-based payment expenses	–	1,284
Other staff's retirement benefits scheme contributions	10,399	8,704
Other staff costs	86,369	78,808
	99,507	91,843
Auditors' remuneration		
– audit services	1,300	900
– non-audit services	2,169	–
Impairment loss recognised in respect of trade and other receivables	1,863	989
Cost of inventories sold	1,944,985	1,753,215
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
Operating lease rentals in respect of land and buildings	23,160	19,927
Loss on early redemption of promissory note	16,269	1,389
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

29. Directors' remuneration

The remuneration of every director for the years ended 31 March 2014 and 2013 are set out below:

	Fees		Salaries and other benefits		Share-based payment expenses		Retirement benefits scheme contributions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors										
Yung Kwok Leong ("Mr. Yung")	–	–	720	720	–	–	15	14	735	734
Chen Jin Shan	–	–	60	60	–	80	–	–	60	140
Jiang Tao	–	–	360	360	–	60	–	–	360	420
Zheng Gang	–	–	1,085	1,172	–	108	15	14	1,100	1,294
Weng Jiaxing (resigned on 28 December 2012)	–	–	–	270	–	76	–	11	–	357
Huang Jiaqing	–	–	120	120	–	16	–	–	120	136
	–	–	2,345	2,702	–	340	30	39	2,375	3,081
Non-executive directors										
Wong Yu Man, James	–	–	120	120	–	–	6	6	126	126
Independent non-executive directors										
Wong Ka Wai, Jeanne	118	60	–	–	–	–	–	–	118	60
Hu Shanlian	60	60	–	–	–	–	–	–	60	60
Lu Chuanzhen	60	60	–	–	–	–	–	–	60	60
	238	180	–	–	–	–	–	–	238	180
	238	180	2,465	2,822	–	340	36	45	2,739	3,387

During the years ended 31 March 2014 and 2013, the executive director of the Company, Mr. Yung was also the chief executive officer of the Company.

During the year, no emoluments were paid by the Group to the directors or chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive officer has waived or has agreed to waive any emoluments during the year (2013: Nil).

30. Employees' emoluments

Senior management emoluments and five highest paid employees

The five highest paid individuals during the year included two (2013: three) directors. Details of whose remuneration are set out in Note 29 to the consolidated financial statements.

For the year ended 31 March 2014, the details of the remuneration of the remaining three (2013: two) non-directors, highest paid employees are as follows:

	2014	2013
	HK$'000	*HK$'000*
Basic salaries and allowances	1,901	1,385
Retirement benefits scheme contributions	45	29
	1,946	1,414

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2014	2013
Nil to HK$1,000,000	3	2

The emoluments of the senior management (excluding directors) of the Company are within the following band.

	2014	2013
Nil to HK$1,000,000	1	1

During the year, no emoluments were paid by the Group to the senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the senior management or the five highest paid individuals has waived or has agreed to waive any emoluments during the year (2013: Nil).

31. 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

32. 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 *(Note 25)*	(64)	(57)
	29,216	22,141

The tax charge for the year is reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

For the year ended 31 March 2014

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(38,885)		105,555		66,670	
Tax at applicable income tax rate	(6,416)	16.5	26,389	25.0	19,973	30.0
Tax effect of expenses and income not deductible or taxable for tax purposes	3,804	(9.8)	(569)	(0.5)	3,235	4.9
Under-provision in prior year	–	–	1,151	1.1	1,151	1.7
PRC withholding tax paid	2,383	(6.1)	–	–	2,383	3.5
Tax effect of tax losses not recognised	2,548	(6.6)	(74)	(0.1)	2,474	3.7
Tax charge and effective tax rate for the year	2,319	(6.0)	26,897	25.5	29,216	43.8

For the year ended 31 March 2013

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(26,745)		99,428		72,683	
Tax at applicable income tax rate	(4,413)	16.5	24,857	25.0	20,444	28.1
Tax effect of expenses and income not deductible or taxable for tax purposes	1,848	(6.9)	(2,207)	(2.2)	(359)	(0.5)
Under-provision in prior year	–	–	229	0.2	229	0.4
PRC withholding tax refund	(612)	2.3	–	–	(612)	(0.8)
Tax effect of tax losses not recognised	2,508	(9.4)	(69)	(0.1)	2,439	3.3
Tax charge and effective tax rate for the year	(669)	2.5	22,810	22.9	22,141	30.5

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.

33. Profit/loss attributable to owners of the Company

For the year ended 31 March 2014, net profit of approximately HK$71,832,000 (2013: net loss of approximately HK$7,649,000) has been dealt with in the financial statements of the Company.

34. 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 '000	No. of shares '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.

35. Dividends

	2014 HK$'000	2013 HK$'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).

36. Pledged assets

At the end of the reporting period, the followings assets were pledged to secure the Group's banking facilities:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Pledged bank deposits	17,431	3,609
Prepaid lease payments *(Note 8)*	1,979	–
Investment properties *(Note 9)*	8,306	–
	27,716	3,609

37. Operating lease commitments

The Group were committed to make the following future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases with lease terms from one year to ten years which fall due as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Within one year	19,492	18,657
In the second to fifth years inclusive	29,450	35,276
Over five years	2,613	3,462
	51,555	57,395

38. Non-cash transactions

(a) On 10 April 2013, the Company entered into a subscription agreement with Mr. Yung, pursuant to which, Mr. Yung has agreed to subscribe for and the Company has agreed to issue 504,201,680 non-redeemable convertible preference shares (the "Second Batch CPSs") at the total issue price of HK$120 million to set off against HK$120 million principal amount of the Promissory Note. The Second Batch CPSs were issued on 10 October 2013.

(b) A special dividend, by way of a distribution in specie of approximately 36.47% of the issued share capital of Wanjia Group after the Reorganisation at HK$1.20 per share upon its separate listing on the Main Board of the Stock Exchange, of approximately HK$283,785,000 was distributed on 10 October 2013 *(Note 35)*.

39. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. Since 1 June 2012, both the Group's and the employees' contributions are subject to a cap of HK$1,250 per month.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

40. Material related party transactions

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, during the year, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business:

(a) Key management personnel

Remuneration for key personnel management represented amount paid to the Company's directors as detailed in Note 29 as follows:

	2014	2013
	HK\$'000	*HK\$'000*
Short-term employee benefits	2,739	3,047
Share-based payment expenses	–	340
	2,739	3,387

(b) On 14 March 2014, Mr. Yung has entered into a personal guarantee agreement with China CITIC Bank Corporation Limited to secure banking facilities on behalf of the Group in an aggregate amount of approximately RMB10,000,000 for one and a half year. Banking facilities secured by personal guarantee of Mr. Yung have not been utilised as at 31 March 2014.

Mr. Yung had also entered into a personal guarantee agreement on 30 November 2011 with Shanghai Pudong Development Bank to secure short-term banking facilities and bills payable on behalf of the Group in an aggregate amount of approximately RMB50,000,000 for the period from 14 November 2011 to 14 November 2012.

Mr. Weng Jiaxing, an ex-director of the Company, who resigned on 28 December 2012 had entered into a personal guarantee agreement on 30 October 2012 with Industrial and Commercial Bank of China Limited to secure banking facilities on behalf of the Group in an aggregate amount of RMB10,000,000 for two years. Secured bank borrowings of approximately HK$12,359,000 secured by personal guarantee of Mr. Weng Jiaxing had been fully settled during the year.

(c) During the year, the Group had the following transactions with related parties:

Name of related parties	Nature of transactions	2014	2013
		HK$'000	*HK$'000*
Non-controlling shareholder of Edward Hospital Company Limited	Management fee paid	1,937	1,243
Spouse of Mr. Yung	Rental fee paid	97	–

For the transactions constitute connected transactions under GEM Listing Rules, please refer to "Connected Transactions" under "Report of the Directors".

41. Principal subsidiaries

(a) General information of subsidiaries

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 March 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Fujian Maidsen Enterprises Company Limited#	The PRC	RMB40,000,000	100%	Provision of healthcare and hospital management services
Edward Hospital Company Limited#	The PRC	RMB40,000,000	55%	Provision of general hospital services
Jiaxing Shuguang#	The PRC	RMB15,000,000	55%	Provision of general hospital services
Zhuhai Zhongkangan Enterprises Management Limited#	The PRC	HK$3,000,000	100%	Provision of healthcare and hospital management services
Wanjia Group	Cayman Islands	HK$6,484,000	63.53%	Investment holding

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Hui Hao (HK)	Hong Kong	HK$1,000,000	63.53%	Investment holding
Fuzhou Huihao#	The PRC	RMB60,000,000	63.53%	Pharmaceutical wholesale and distribution business in the PRC
Putian Huihao#	The PRC	RMB10,000,000	63.53%	Pharmaceutical wholesale and distribution business in the PRC
Fujian Huiming#	The PRC	RMB20,000,000	63.53%	Pharmaceutical wholesale and distribution business in the PRC
Huihao Sihai#	The PRC	RMB15,856,000	63.08%	Pharmaceutical retail chain business in the PRC
Quanzhou Huihao#	The PRC	RMB10,000,000	63.53%	Pharmaceutical wholesale and distribution business in the PRC

The English transliteration of the Chinese names in this report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wanjia Group *(note)*	The PRC	36.47%	0.71%	10,555	142	384,430	439
Individually immaterial subsidiaries with non-controlling interests						41,740	40,535
						426,170	40,974

Note:

The non-wholly owned subsidiary of the Company, Wanjia Group, represented Wanjia Group Holdings Limited, an investment holding company incorporated in the Cayman Islands, and its subsidiaries as a group as a result of the Reorganisation *(Note 2)*, for purpose of this Note.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Wanjia Group

	2014	2013
	HK$'000	*HK$'000*
Current assets	621,814	581,707
Non-current assets	810,905	809,216
Current liabilities	386,996	1,257,722
Non-current liabilities	–	–
Equity attributable to owners of the Company	661,293	132,762
Non-controlling interests	384,430	439

	2014	2013
	HK$'000	*HK$'000*
Revenue	2,096,455	1,885,369
Profit for the year	49,068	41,905
Profit attributable to owners of the Company	38,513	41,763
Profit attributable to non-controlling interests	10,555	142
Profit for the year	49,068	41,905
Other comprehensive income attributable to owners of the Company	4,447	1,499
Other comprehensive income attributable to non-controlling interests	28	3
Other comprehensive income for the year	4,475	1,502
Total comprehensive income attributable to owners of the Company	42,960	43,262
Total comprehensive income attributable to non-controlling interests	10,583	145
Total comprehensive income for the year	53,543	43,407
Dividends paid to non-controlling interests	179	3,047
Net cash inflow/(outflow) from operating activities	8,942	(46,885)
Net cash outflow from investing activities	(5,640)	(1,521)
Net cash inflow from financing activities	8,918	29,239
Net cash inflow/(outflow)	12,220	(19,167)

(c) Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

42. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bill payables, bank borrowings, promissory note and convertible note), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The gearing ratios at 31 March 2014 and 2013 were as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Debt *(note (a))*	200,531	252,284
Cash and cash equivalents	(109,849)	(83,589)
Net debt	90,682	168,695
Equity *(note (b))*	724,253	945,065
Gearing ratio	0.13	0.18

Notes:

(a) Debt comprises bill payables, bank borrowings, convertible note and promissory note as detailed in notes 20, 21, 23 and 24 respectively.

(b) Equity includes all capital and reserves of the Group.

43. Financial instruments

(a) Categories of financial instruments

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	496,045	519,416	79,613	886,867
Derivative financial instruments classified as fair value through profit or loss	384	69	384	69
Financial assets designated at fair value through profit or loss	1,259	–	–	–
Financial liabilities				
Amortised cost	452,944	577,626	363,570	223,710

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk management

The Group is also exposed to market interest rate risk mainly in relation to floating rate bank borrowings *(Note 21)*. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate published by the People's Bank of China arising from the Group's RMB denominated borrowings.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. However, the management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would decrease/increase by approximately HK$131,000 (2013: HK$5,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year ended 31 March 2014.

The Group's sensitivity to interest rate has increased during current year mainly due to increase in variable-rate borrowings.

(ii) Credit risk

As at 31 March 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the carrying amount of the respective pledged investment properties and prepared lease payments as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical location mainly arised in the PRC. As at 31 March 2014, the Group's concentration of credit risk by customers is approximately 15.8% of trade receivables due from the Group's five largest customers (2013: 12.2%).

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual's trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 March 2014, the Group has available unutilised short and medium term bank loan facilities of approximately HK$111,164,000 (2013: HK$32,381,000) respectively.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and certain non-derivative financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial assets, the tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group
At 31 March 2014

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	287,270	–	–	287,270	287,270
Bank borrowings	8.1%	90,289	–	–	90,289	88,088
Amounts due to non-controlling interests	–	1,213	–	–	1,213	1,213
Promissory note	3.0%	–	–	80,000	80,000	71,361
Convertible note	10.97%	–	6,500	–	6,500	5,012
		378,772	6,500	80,000	465,272	452,944

At 31 March 2013

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	328,639	–	–	328,639	328,639
Bank borrowings	7.7%	52,104	–	–	52,104	50,672
Amounts due to non-controlling interests	–	1,053	–	–	1,053	1,053
Promissory note	3.0%	–	–	220,000	220,000	192,635
Convertible note	10.97%	–	6,500	–	6,500	4,627
		381,796	6,500	220,000	608,296	577,626

The Company

At 31 March 2014

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	2,940	–	–	2,940	2,940
Amounts due to subsidiaries	–	284,257	–	–	284,257	284,257
Promissory note	3.0%	–	–	80,000	80,000	71,361
Convertible note	10.97%	–	6,500	–	6,500	5,012
		287,197	6,500	80,000	373,697	363,570

At 31 March 2013

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	1,452	–	–	1,452	1,452
Amounts due to subsidiaries	–	24,996	–	–	24,996	24,996
Promissory note	3.0%	–	–	220,000	220,000	192,635
Convertible note	10.97%	–	6,500	–	6,500	4,627
		26,448	6,500	220,000	252,948	223,710

(c) Fair value measurements

The following note provides information about how the Group determine fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

The following table gives information about how the fair value of these financial assets and liabilities are determined (in particular, the valuation techniques and input used).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 March 2014	31 March 2013		
	HK$'000	*HK$'000*		
Financial assets				
Derivative financial instruments	384	69	Level 3	Binominal Model. Key inputs include share price, volatility, time to maturity and conversion price.
Financial assets at fair value through profit or loss	1,259	–	Level 1	Quoted bid prices in an active market

During the years ended 31 March 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2, and there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair values.

	At 31 March 2014		At 31 March 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible note	5,012	5,967	4,627	5,968
Promissory note	71,361	58,975	192,635	164,768

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Fair value hierarchy as at 31 March 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	1,259	–	–	1,259
Derivative financial instruments	–	–	384	384

	Fair value hierarchy as at 31 March 2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Derivative financial instruments	–	–	69	69

Reconciliation of Level 3 fair value measurements
31 March 2014

The movement during the year ended 31 March 2014 in the balance of Level 3 fair value measurement is as follows:

	Redemption option embedded in convertible note
	HK$'000
At 1 April 2013	69
Change in fair value recognised in profit or loss	315
At 31 March 2014	384

31 March 2013

The movement during the year ended 31 March 2013 in the balance of Level 3 fair value measurement is as follows:

	Redemption option embedded in convertible note
	HK$'000
At 1 April 2012	161
Change in fair value recognised in profit or loss	(92)
At 31 March 2013	69

44. Events after the end of the reporting period

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 RMB4,945,000 (equivalent to approximately HK$6,204,000). 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 immaterial.

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.

45. Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

46. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 June 2014.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 as extracted from the 2014 Interim Report of the Company for the six months ended 30 September 2014:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

		Three months ended 30 September		Six months ended 30 September	
		2014	**2013**	**2014**	**2013**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	*3 & 4*	488,222	540,639	925,344	1,141,540
Cost of sales		(427,766)	(476,116)	(808,645)	(1,011,863)
Gross profit		60,456	64,523	116,699	129,677
Other revenue and income		1,352	3,493	7,974	6,317
Selling and distribution expenses		(34,605)	(25,330)	(59,100)	(50,017)
Administrative expenses		(24,862)	(26,035)	(46,541)	(43,426)
Impairment loss on goodwill		–	–	(785,483)	–
(Loss)/profit from operations	*5*	2,341	16,651	(766,451)	42,551
Finance costs	*6*	(3,189)	(2,901)	(5,368)	(5,715)
(Loss)/profit before taxation		(848)	13,750	(771,819)	36,836
Taxation	*7*	(2,806)	(7,727)	(7,252)	(15,003)
(Loss)/profit for the period		(3,654)	6,023	(779,071)	21,833
Other comprehensive income for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translating foreign operations		575	2,313	612	7,559
Total comprehensive (loss)/income for the period		(3,079)	8,336	(778,459)	29,392

	Notes	Three months ended 30 September 2014 HK$'000 (Unaudited)	Three months ended 30 September 2013 HK$'000 (Unaudited)	Six months ended 30 September 2014 HK$'000 (Unaudited)	Six months ended 30 September 2013 HK$'000 (Unaudited)
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,674)	5,028	(497,361)	19,232
Non-controlling interests		20	995	(281,710)	2,601
		(3,654)	6,023	(779,071)	21,833
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(3,190)	7,091	(496,985)	25,947
Non-controlling interests		111	1,245	(281,474)	3,445
		(3,079)	8,336	(778,459)	29,392
Dividends	*13*	–	283,785	–	283,785
(Loss)/earnings per share attributable to owners of the Company					
– Basic *(HK cents per share)*	*8*	(0.209)	0.425	(28.259)	1.626
– Diluted *(HK cents per share)*	*8*	(0.209)	0.416	(28.255)	1.597

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		65,684	36,374
Prepaid lease payments		30,803	31,365
Investment properties		8,324	8,306
Goodwill		30,468	788,420
		135,279	864,465
Current assets			
Inventories		151,178	133,939
Trade and other receivables and deposits	9	542,185	528,144
Financial assets at fair value through profit or loss		1,262	1,259
Derivative financial instruments		384	384
Pledged bank deposits	10	35,260	17,431
Cash and cash equivalents		110,577	92,418
		840,846	773,575
Total assets		976,125	1,638,040
EQUITY			
Capital and reserves			
Share capital	11	17,601	17,562
Reserves		211,617	706,691
Equity attributable to owners of the Company		229,218	724,253
Non-controlling interests		154,640	426,170
Total equity		383,858	1,150,423

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	407,923	310,259
Bank borrowings		100,888	88,088
Amounts due to non-controlling shareholders		1,215	1,213
Tax payables		4,600	11,258
		514,626	410,818
Non-current liabilities			
Promissory note		72,029	71,361
Convertible note		5,220	5,012
Deferred taxation		392	426
		77,641	76,799
Total liabilities		592,267	487,617
Total equity and liabilities		976,125	1,638,040
Net current assets		326,220	362,757
Total assets less current liabilities		461,499	1,227,222

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013 and 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note (d))	Other reserve HK$'000	Special reserve HK$'000 (Note (b))	Translation reserve HK$'000	Share-based payment reserve HK$'000	Convertible note reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013 (audited)	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	–	–	–	–	–	–	–	–	–	19,232	19,232	2,601	21,833
Other comprehensive income for the period	–	–	–	–	–	6,715	–	–	–	–	6,715	844	7,559
Total comprehensive income for the period	–	–	–	–	–	6,715	–	–	–	19,232	25,947	3,445	29,392
Issue of share options	–	–	–	–	–	–	642	–	–	–	642	–	642
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,441)	(2,441)
At 30 September 2013 (unaudited)	11,824	190,250	579,395	–	(6,735)	33,019	16,788	2,537	25,454	119,122	971,654	41,978	1,013,632

	Attributable to owners of the Company												
	Share capital HK$'000 (Note (a))	Share premium HK$'000	Capital reserve HK$'000 (Note (d))	Other reserve HK$'000 (Note (e))	Special reserve HK$'000 (Note (b))	Translation reserve HK$'000	Share-based payment reserve HK$'000	Convertible note reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 April 2014 (audited)	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
Loss for the period	–	–	–	–	–	–	–	–	–	(497,361)	(497,361)	(281,710)	(779,071)
Other comprehensive income for the period	–	–	–	–	–	376	–	–	–	–	376	236	612
Total comprehensive (loss)/income for the period	–	–	–	–	–	376	–	–	–	(497,361)	(496,985)	(281,474)	(778,459)
Exercise of share options	39	1,969	–	–	–	–	(58)	–	–	–	1,950	–	1,950
Increase in non-controlling interests resulting from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	9,944	9,944
At 30 September 2014 (unaudited)	17,601	318,938	295,610	(97,455)	(6,735)	33,165	15,587	2,537	37,079	(387,109)	229,218	154,640	383,858

Notes:

(a) As at 30 September 2014, the total issued share capital of the Company was approximately HK$17.601 million (31 March 2014: approximately HK$17.562 million) divided into 1,157,388,264 ordinary shares and 602,701,680 non-voting convertible preference shares (31 March 2014: 1,153,488,264 ordinary shares and 602,701,680 non-voting convertible preference shares) of HK$0.01 each (31 March 2014: HK$0.01 each).

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

(d) Included in the capital reserve amounting to approximately HK$579,395,000 of the Group represents the result of capital reorganisation taken by the Company during year ended 31 March 2012.

The decrease in capital reserve amounting to approximately HK$283,785,000 during the year ended 31 March 2014 represents special interim dividend paid in species 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 on 11 October 2013.

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	**2013**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	45,871	65,071
Net cash used in investing activities	(10,638)	(1,691)
Net cash used in financing activities	(17,074)	(35,499)
Net increase in cash and cash equivalents	18,159	27,881
Cash and cash equivalents at 1 April	92,418	79,980
Cash and cash equivalents at 30 September	110,577	107,861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2014

1. Corporate information

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK$ as the shares of the Company are listed on the GEM board of the Stock Exchange. The unaudited condensed 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, distribution and pharmaceutical retail chain businesses in the PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2014 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, 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. The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2014 (the "2013/2014 Financial Statements"), except for the new and revised standards, amendments and interpretations of HKFRSs ("new and revised HKFRSs") issued by the HKICPA which have become effective in this period as detailed in notes to the 2013/2014 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in the Interim Financial Statements.

3. Turnover

Turnover represents the aggregate of the net invoiced amounts received and receivable from third parties in connection with the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses and the provision of general hospital services during the period, after allowances for returns and trade discounts.

4. 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: (a) provision of general hospital services and (b) 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

	Three months ended 30 September 2014 HK$'000 (Unaudited)	Three months ended 30 September 2013 HK$'000 (Unaudited)	Six months ended 30 September 2014 HK$'000 (Unaudited)	Six months ended 30 September 2013 HK$'000 (Unaudited)
Turnover				
– Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	442,800	505,313	840,439	1,067,674
– Provision of general hospital services	45,422	35,326	84,905	73,866
	488,222	540,639	925,344	1,141,540
Results				
– Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	983	17,976	(768,530)	42,328
– Provision of general hospital services	3,461	3,565	6,244	7,803
	4,444	21,541	(762,286)	50,131
Unallocated other revenue and income	12	5	13	5
Unallocated corporate expenses	(2,115)	(4,895)	(4,178)	(7,585)
(Loss)/profit from operations	2,341	16,651	(766,451)	42,551
Finance costs	(3,189)	(2,901)	(5,368)	(5,715)
(Loss)/profit before taxation	(848)	13,750	(771,819)	36,836
Taxation	(2,806)	(7,727)	(7,252)	(15,003)
(Loss)/profit for the period	(3,654)	6,023	(779,071)	21,833

Note:

Inter-segment sales under pharmaceutical wholesale and distribution and pharmaceutical retail chain business for the three months ended 30 September 2014 amounted to approximately HK$0.408 million (2013: approximately HK$0.479 million) and for the six months ended 30 September 2014 amounted to approximately HK$1.315 million (2013: approximately HK$1.696 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

Segment assets and liabilities

	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
As at 30 September 2014 (unaudited)			
Assets			
Segment assets	225,262	737,026	962,288
Unallocated corporate assets			13,837
Consolidated total assets			976,125
Liabilities			
Segment liabilities	45,853	464,087	509,940
Promissory note			72,029
Convertible note			5,220
Deferred taxation			392
Unallocated corporate liabilities			4,686
Consolidated total liabilities			592,267
As at 31 March 2014 (audited)			
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

5. (Loss)/profit from operations

	Three months ended 30 September		Six months ended 30 September	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	3,034	1,832	5,556	3,713
Operating lease rentals in respect of buildings	7,910	5,021	15,160	10,353
Amortisation of prepaid lease payments	314	312	627	624
Staff costs (including directors' remuneration)	30,391	25,612	57,405	49,563

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– Convertible note and promissory note	1,036	1,584	1,341	3,314
– Bank borrowings wholly repayable within five years	2,153	1,317	4,027	2,401
	3,189	2,901	5,368	5,715

7. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2013: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses and general hospital services in the PRC (2013: approximately 25%).

8. (Loss)/earnings per share

The calculation of basic loss per share for the three months ended 30 September 2014 was based on the loss for the period attributable to owners of the Company of approximately HK$3.674 million (2013: profit attributable to owners of the Company of approximately HK$5.028 million for the basic earnings per share) and on the weighted average number of ordinary shares of approximately 1,760,089,944 shares (2013: 1,182,438,264 shares).

The calculation of basic loss per share for the six months ended 30 September 2014 was based on the loss for the period attributable to owners of the Company of approximately HK$497.361 million (2013: profit attributable to owners of the Company of approximately HK$19.232 million for the basic earnings per share) and on the weighted average number of ordinary shares of approximately 1,759,983,387 shares (2013: 1,182,438,264 shares).

Diluted (loss)/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 and six months ended 30 September 2014, the Company had a category of dilutive potential ordinary shares: share options. For the three months and six months ended 30 September 2014 and 2013, the calculation of diluted (loss)/earnings per share did not assume the exercise of the convertible note existed at 30 September 2014 and 2013 as the exercise of the convertible note would decrease loss/increase earnings per share, therefore is 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 shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 30 September 2014	**Six months ended 30 September 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company – Loss for the purpose of diluted earnings per shares	(3,674)	(497,361)
Weighted average number of ordinary shares in issue	1,760,089,944	1,759,983,387
Adjustments for assumed exercise of share options	116,764	272,641
Weighted average number of shares for the purpose of diluted loss per share	1,760,206,708	1,760,256,028

	Three months ended 30 September 2014	**Six months ended 30 September 2014**
	(Unaudited)	(Unaudited)
Diluted loss per share	HK0.209 cents	HK28.255 cents

9. Trade and other receivables and deposits

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables, net	309,574	284,223
Bill receivables	5,203	7,748
Prepayments and deposits paid	139,608	140,693
Prepaid lease payments	1,258	1,255
Other receivables	94,121	101,789
	549,764	535,708
Less: Impairment loss recognised in respect of other receivables	(7,579)	(7,564)
	542,185	528,144

As at 30 September 2014, included in other receivables are the loan of approximately HK$18.444 million (31 March 2014: HK$18.404 million) advanced to an independent third party. The loan receivable carries interest at 6% (31 March 2014: 6%) per annum and it is unsecured and recoverable on demand.

Payment terms with customers from the pharmaceutical wholesale and distribution business and pharmaceutical retain chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. Payment terms with customers from general hospital 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:

	30 September 2014	**31 March 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	224,772	227,618
91 to 180 days	32,744	28,337
181 to 365 days	8,840	16,002
Over 365 days	45,470	14,092
	311,826	286,049
Less: Impairment loss recognised in respect of trade receivables	(2,252)	(1,826)
	309,574	284,223

10. Pledged bank deposits

The Group had certain pledged bank deposits as at 30 September 2014 of approximately HK$35.260 million to secure banking facilities granted to the Group (31 March 2014: approximately HK$17.431 million).

11. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 30 September 2014	110,000,000,000	1,100,000
Non-voting convertible preference shares of HK$0.01 each at 30 September 2014	40,000,000,000	400,000
	150,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 30 September 2014	1,157,388,264	11,574
Non-voting convertible preference shares of HK$0.01 each at 30 September 2014	602,701,680	6,027
	1,760,089,944	17,601

12. Trade and other payables

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	257,611	204,136
Bill payables	73,409	36,070
Receipts in advance	3,836	22,989
Accruals and other payables	73,067	47,064
	407,923	310,259

Bill payables were secured by certain pledged bank deposits.

The average credit period on purchases of certain goods is 90 days. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	176,566	137,660
91 to 180 days	33,141	16,007
181 to 365 days	17,807	19,058
Over 365 days	30,097	31,411
	257,611	204,136

13. Dividends

The directors do not recommend the payment of a dividend for the six months ended 30 September 2014 (2013: special interim dividend of approximately HK$283.785 million).

14. Related party transactions

During the reporting period, other than those transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions with related parties which, in the opinion of the directors, were carried out in the ordinary courses of the Group's business:

a) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and other members of key management during the period were as follows:

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,430	1,286
Share-based payment expenses	–	186
	1,430	1,472

b) Personal guarantee

On 14 March 2014, Mr. Yung Kwok Leong, the Director, the chairman and chief executive officer of the Company, has entered into a personal guarantee agreement with China CITIC Bank Corporation Limited to secure banking facilities on behalf of the Group in an aggregate amount of approximately RMB10,000,000 for one and a half year.

c) Transaction

During the reporting period, the Group had the following connected transactions with related parties:

		Six months ended 30 September	
Name of related parties	**Nature of transactions**	**2014**	**2013**
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Non-controlling shareholder of Edward Hospital Company Limited	Management fee paid	614	748

4. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2014 as extracted from the third quarterly report of the Company for the nine months ended 31 December 2014:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2014

		Three months ended 31 December		Nine months ended 31 December	
		2014	**2013**	**2014**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	*3*	475,942	537,236	1,401,286	1,678,776
Cost of sales		(396,123)	(466,531)	(1,204,768)	(1,478,394)
Gross profit		79,819	70,705	196,518	200,382
Other revenue and income		5,172	2,638	13,146	8,955
Selling and distribution expenses		(52,059)	(27,656)	(111,159)	(77,673)
Administrative expenses		(26,095)	(24,791)	(72,636)	(68,217)
Impairment loss on Goodwill		–	–	(785,483)	–
Profit/(loss) from operations		6,837	20,896	(759,614)	63,447
Finance costs		(2,857)	(2,959)	(8,225)	(8,674)
Profit/(loss) before taxation		3,980	17,937	(767,839)	54,773
Taxation	*4*	(2,319)	(7,225)	(9,571)	(22,228)
Profit/(loss) for the period		1,661	10,712	(777,410)	32,545
Other comprehensive income, net of tax:					
Exchange differences arising on translating foreign operations		714	2,481	1,326	10,040
Total comprehensive income/(loss) for the period		2,375	13,193	(776,084)	42,585

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2014

		Three months ended 31 December		Nine months ended 31 December	
		2014	2013	2014	2013
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:					
Owners of the Company		(1,057)	5,077	(498,418)	24,310
Non-controlling interests		2,718	5,635	(278,992)	8,235
		1,661	10,712	(777,410)	32,545
Total comprehensive income/(loss) attributable to:					
Owners of the Company		587	7,289	(496,398)	33,236
Non-controlling interests		1,788	5,904	(279,686)	9,349
		2,375	13,193	(776,084)	42,585
Dividends	*5*	–	–	–	283,785
Earnings/(loss) per share attributable to the owners of the Company					
– Basic *(cents)*	*6*	(0.060)	0.308	(28.319)	1.817
– Diluted *(cents)*		(0.060)	0.304	(28.313)	1.792

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2014

	Attributable to owners of the Company												
	Share capital *HK$'000* *(Note (a))*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note (d))*	Other reserve *HK$'000*	Special reserve *HK$'000* *(Note (b))*	Translation reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible note reserve *HK$'000*	Statutory surplus reserve *HK$'000* *(Note (c))*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 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	–	–	–	–	–	–	–	–	–	24,310	24,310	8,235	32,545
Other comprehensive income, net of tax:													
Exchange difference on translating foreign operations	–	–	–	–	–	8,926	–	–	–	–	8,926	1,114	10,040
Issue of share options	–	–	–	–	–	–	642	–	–	–	642	–	642
Issue of non-redeemable convertible preference shares	5,042	114,958	–	–	–	–	–	–	–	–	120,000	–	120,000
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,441)	(2,441)
Exercise of share options	602	9,372	–	–	–	–	(342)	–	–	–	9,632	–	9,632
Recognise upon reorganisation	–	–	–	(7,653)	–	–	–	–	–	–	(7,653)	–	(7,653)
Dividend paid in specie *(Note 5)*	–	–	(283,785)	(89,926)	–	–	–	–	–	–	(373,711)	373,711	–
At 31 December 2013	17,468	314,580	295,610	(97,579)	(6,735)	35,230	16,446	2,537	25,454	124,200	727,211	421,593	1,148,804

	Attributable to owners of the Company												
	Share capital *HK$'000* *(Note (a))*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note (d))*	Other reserve *HK$'000* *(Note (e))*	Special reserve *HK$'000* *(Note (b))*	Translation reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible note reserve *HK$'000*	Statutory surplus reserve *HK$'000* *(Note (c))*	Retained earnings/ (accumulated losses) *HK$'000*	Sub- total *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
At 1 April 2014 (audited)	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
Loss for the period	–	–	–	–	–	–	–	–	–	(498,418)	(498,418)	(278,992)	(777,410)
Exchange difference on transaction of foreign operations	–	–	–	–	–	2,020	–	–	–	–	2,020	(694)	1,326
Total comprehensive Income/(loss) for the period	–	–	–	–	–	2,020	–	–	–	(498,418)	(496,398)	(279,686)	(776,084)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	3.,542	(3.,542)	–	–	–
Exercise of share options	39	1,969	–	–	–	–	(58)	–	–	–	1,950	–	1,950
Increase in non-controlling interests resulting from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	9,944	9,944
At 31 December 2014 (unaudited)	17,601	318,938	295,610	(97,455)	(6,735)	34,809	15,587	2,537	40,621	(391,708)	229,805	156,428	386,233

Notes:

(a) As at 31 December 2014, the total issued share capital of the Company was approximately HK$17.601 million (31 March 2014: approximately HK$17.562 million) divided into 1,157,388,264 ordinary shares and 602,701,680 non-voting convertible preference shares (31 March 2014: 1,153,488,264 ordinary shares and 602,701,680 non-voting convertible preference shares) of HK$0.01 each (31 March 2014: HK$0.01 each).

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

(d) Included in the capital reserve amounting to approximately HK$579,395,000 of the Group represents the result of capital reorganisation taken by the Company during year ended 31 March 2012.

The decrease in capital reserve amounting to approximately HK$283,785,000 during the year ended 31 March 2014 represents special interim dividend paid in species 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 on 11 October 2013.

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

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

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

For the three months and nine months ended 31 December 2014

1. Corporate Information

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK$ as the shares of the Company are listed on the GEM board of the Stock Exchange. The unaudited condensed 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, distribution and pharmaceutical retail chain businesses in the PRC.

2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the nine months ended 31 December 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange (the "GEM Listing Rules"). The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 31 December 2014 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2014 (the "2013/14 Financial Statements"), which have become effective in this period as detailed in notes to the 2013/14 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 restated to confirm with the current period's presentation and accounting treatment.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and provision of general hospital services during the period.

	Three months ended 31 December		Nine months ended 31 December	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	407,485	497,159	1,247,863	1,564,833
Provision of general hospital services	68,457	40,077	153,423	113,943
	475,942	537,236	1,401,286	1,678,776

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2013: Nil). Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and provision of general hospital services in the PRC (2013: approximately 25%).

5. Dividends

	Three months ended 31 December		Nine months ended 31 December	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period				
2013/14 special interim dividend of HK$0.12 per share	–	–	–	283,785

The directors do not recommend the payment of a dividend for three months and the nine months ended 31 December 2014 and 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 Wanjia Group Holdings Limited ("**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 listing approval was obtained on 10 October 2013, and on 11 October 2013, 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 Stock Exchange.

6. Earnings/(loss) per share

The calculation of basic loss per share for the three months ended 31 December 2014 was based on the loss of approximately HK$1.057 million (2013 the calculation of basic earnings per share: profit attributed to owners of Company of approximately HK$5.077 million) and on the weighted average number of 1,760,089,944 shares (2013: 1,649,779,339 shares).

The calculation of basic loss per share for the nine months ended 31 December 2014 was based on the net loss of approximately HK$498.418 million (2013 the calculation of basic earnings per share: profit attributed to owners of the Company of approximately HK$24.310 million) and on the weighted average number of 1,760,019,035 shares (2013: 1,337,650,081 shares).

Diluted earnings/(loss) 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 and nine months ended 31 December 2014, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2014 and 2013, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2014 and 2013 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 shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 31 December 2014 *HK$'000* (Unaudited)	**Nine months ended 31 December 2014** *HK$'000* (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	(1,057)	(498,418)
Weighted average number of ordinary shares in issue	1,760,089,944	1,760,019,035
Adjustments for assumed exercise of share options	528,960	364,353
Weighted average number of shares for the purpose of diluted earnings per share	1,760,618,904	1,760,383,380

	Three months ended 31 December 2014	**Nine months ended 31 December 2014**
Diluted loss per share	HK(0.060) cents	HK(28.313) cents

4. INDEBTEDNESS

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had the following outstanding indebtedness:

	Total
	HK$'000
Non-current liabilities	
Convertible note	6,500
Promissory note	80,000
	86,500
Current liabilities	
Secured bank borrowings	121,089
Total	207,589

Convertible note with principal amount of HK$6,500,000 bears interest at a rate of 2% per annum payable annually in arrears. The maturity date of the convertible note is 9 May 2017.

As at 31 December 2014, the promissory note with outstanding principal amount of HK$80,000,000 bears interest at a rate of 1% per annum payable semi-annually in arrears. The maturity date of the promissory note is 7 March 2020.

As at 31 December 2014, the secured bank borrowings of approximately HK$121,089,000 carried interest rates ranging from 129.7% to 150% lending rate of The People's Bank of China per annum. The bank borrowings were secured by prepaid lease payments, investment properties, corporate guarantee by inter-group company and personal guarantee.

All the secured bank borrowings were denominated in RMB and repayable within one year.

Pledge of assets

As at 31 December 2014, the following assets were pledged to secure the bank borrowings, bills payables and banking facilities of the Group:

	HK$'000
Pledged bank deposits	239,479
Prepaid lease payments	1,923
Investment properties	8,321
	249,723

Contingent liabilities

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities outstanding.

Disclaimer

Save as aforesaid above, at the close of business on 31 December 2014, the directors of the Company confirmed that the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities.

The directors of the Company have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 December 2014.

5. FINANCIAL AND TRADING PROSPECT

The Group operates three general hospitals in Chongqing, Jiaxing and Zhuhai (2013: two general hospitals in Chongqing and Jiaxing). The Group also engages in the wholesale, distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC. In addition, the Group operates a chain of retail pharmacies located in six prefectural-level districts in Fujian Province in 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 year 2015 is the last year of the 12th Five Year Plan in China and also an important time for the further reform on the healthcare. By the end of the 13th Five Year Plan, the total healthcare market will reach 8 trillion RMB based on the projections by the State Council in its statement in 2013. In January 2015, the NHFPC, the former Ministry of Health, clearly stated that the further improvement of hospital services is one of the goals this year. At the same time, the opportunities for the ownership reforms of state owned hospitals are readily available and increasing. As a result, the impact of those policies is nothing but positive in terms of becoming more practical and useful in the implementation of the policies. The management of the Group believes that if non public hospitals continue to improve the qualities and reduce the cost, they will certainly be able to expand their shares in the healthcare market in China. It is also important to notice that the country is calling for the more involvement from the commercial healthcare insurance companies in order to satisfy the growing needs for different medical and healthcare services. All of those have further strengthened the solid foundations for the fast growth of the healthcare industry. It is under such circumstances that the management of the Group holds positive view of the future of the hospital businesses in the PRC for the year 2015/2016. The increasing desire from the public for quality and affordable services has opened up more opportunities for the Group as our hospitals are positioned in those regions with well focused medical specialties and experienced personnel. As a result, the trend will improve the patient visits and services at the hospitals that the Group operates. Since the Zhuhai Jiulong Hospital joined the Group in 2014, the operations of the hospital have confirmed the strategies designed to acquire and manage hospital of the same scale. The management-in-trust model has approved to be low cost yet more effective in terms of hospital business development. While the management still believes the strong need for further expansion of the hospitals in terms of numbers and services, the efficiency and quality of hospital management is the key to the sustainable growth of the healthcare businesses in the PRC. Therefore, the Group has allocated more resources to support this effort. As the healthcare reform in the PRC has moved forward, the privatization of state-owned hospitals and the need to work more closely with private hospitals will help the Group develop more businesses along those directions. The Group will continue to explore the various opportunities and ensure the smooth and successful development in the near future.

6. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(i) References are made to the profit warning announcement dated 1 August 2014, the supplemental announcement dated 19 September 2014 and the first quarterly report for the three months ended 30 June 2014 of the Company. The Group recorded an unaudited loss attributable to Shareholders of approximately HK$493.7 million for the three months ended 30 June 2014 as compared to that of the profit attributable to

Shareholders for the same period of the previous year. The loss was mainly attributable to the impairment loss on goodwill of approximately HK$785.5 million recognized by Wanjia Group Holdings Limited;

(ii) References are made to the announcement dated 1 September 2014 and its supplemental announcement dated 24 September 2014 of the Company in relation to a discloseable transaction of the Company. On 1 September 2014 (after trading hours of the Stock Exchange), an indirect wholly-owned subsidiary of the Company had entered into an acquisition agreement and conditionally agreed to acquire the entire equity interest of Fuzhou Huikang Enterprise Management Consultancy Limited# (福州匯康企業管理諮詢有限公司) and a loan in the principal amount of RMB37,941,305.25 (equivalent to approximately HK$47.666 million) at a consideration of RMB37,941,305.25 (equivalent to approximately HK$47.666 million);

(iii) Reference is made to the announcement of the Company dated 22 October 2014. The Company and CITIC Medical & Health Group Co., Limited# (中信醫療健康產業集團有限公司) entered into a strategic cooperation framework agreement dated 22 October 2014 for the collaboration on potential investment opportunities in the healthcare and hospitals sector in the PRC. Such framework agreement is non-legally binding in nature and the Company will make further announcement(s) as and when appropriate for any material developments or any entering into of legally binding agreement(s); and

(iv) Reference is made to the announcement of the Company dated 28 October 2014. The Company announced that its wholly-owned subsidiary and Beijing Vantone Greatcity entered into a memorandum of understanding dated 28 October 2014 to form a strategic alliance for cooperation opportunities in projects of the Beijing Vantone Greatcity. Such memorandum of understanding is non-legally binding in nature and shall remain in effect for 5 years from the date of the memorandum of understanding.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to Mr. Yung and/or New Hope International) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by Mr. Yung and/or New Hope International) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the CPS-II Holders contained in this circular has been supplied by Mr. Yung and the directors of New Hope International. Mr. Yung and the directors of New Hope International, namely Ms. Li Wei（李巍）, Ms. Liu Chang（劉暢）, Mr. Wang Xinbiao（王新彪）and Mr. Zhang Guokun（張國昆）, jointly and severally accept full responsibility for the accuracy of the information in relation to Mr. Yung and/or New Hope International contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by Mr. Yung and/or New Hope International in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

(a) Share capital

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:

		HK$
110,000,000,000	Shares	1,100,000,000.00
40,000,000,000	CPS	400,000,000.00
150,000,000,000		1,500,000,000.00

Issued and fully paid:

(i) As at the Latest Practicable Date

		HK$
1,157,388,264	Total Shares in issue	11,573,882.64
602,701,680	Total CPS in issue	6,027,016.80

(ii) Upon completion of Conversion

		HK$
1,157,388,264	Shares in issue before Conversion	11,573,882.64
504,201,680	Conversion Shares to be allotted and issued upon Conversion	5,042,016.80
1,661,589,944	Total Shares in issue upon completion of Conversion	16,615,899.44
98,500,000	Total CPS immediately upon Conversion	985,000.00

All the issued Shares rank *pari passu* in all respects, including the rights to dividends, voting and return of capitals. The Conversion Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the CPS, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then issue including as to the right receive future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange.

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company has:

(i) 32,801,287 Share Options. A breakdown setting out the number of outstanding Share Options, their respective exercise price and respective exercise period are as follows:

Exercise period	**Exercise price** *(HK$)*	**Number of Share Options**
23 March 2010 to 22 March 2015	1.12	28,349,295
13 July 2006 to 12 July 2016	3.61	459,739
21 March 2007 to 20 March 2017	2.94	1,042,253
30 September 2009 to 29 March 2019	0.50	2,950,000
Total		32,801,287

(ii) Convertible Note with an outstanding principal amount of HK$6,500,000 with maturity date on 9 May 2017 which entitles the holder thereof to convert into 3,421,053 Shares at the conversion price of HK$1.90 per Share.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or CPS or any other securities of the Company to be listed or dealt in on any other stock exchange.

No Shares have been issued since 31 March 2014, being the date on which the latest audited financial statements of the Group were made up.

Save as disclosed, the Company has no other outstanding options, warrants, derivatives or other convertible securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar month during the Relevant Period; (ii) on 1 December 2014, being the last trading day immediately preceding the date of the 2014 Announcement; (iii) on 9 January 2015, being the last trading day immediately preceding the date of the 2015 Announcement; and (iv) on the Latest Practicable Date were as follows:

Date	**Closing price per Share** *HK$*
30 June 2014	0.490
31 July 2014	0.450
29 August 2014	0.450
30 September 2014	0.610
31 October 2014	0.770
28 November 2014	0.600
1 December 2014 (being the last trading day immediately preceding the date of the 2014 Announcement)	0.530
31 December 2014	0.415
9 January 2015 (being the last trading day immediately preceding the date of the 2015 Announcement)	0.500
30 January 2015	0.600
11 February 2015 (being the Latest Practicable Date)	0.540

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.780 on 30 October 2014 and HK$0.410 on 2 January 2015, respectively.

4. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the Company

As at the Latest Practicable Date, 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(s) (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register to be kept under Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules; or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung	Corporate interest *(Note 1)*	120,960,500	Long	10.45%
	Personal interest *(Note 2)*	396,031,016	Long	34.22%
Mr. Zheng Gang	Personal interest	3,104,000	Long	0.27%
Dr. Jiang Tao	Personal interest	2,000,000	Long	0.17%
Dr. Huang Jiaqing	Personal interest	1,000,000	Long	0.09%

Note 1: 120,960,500 Shares are held through Easeglory Holdings Limited ("**Easeglory**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability, the entire issued share capital of which is owned by Marshal International Investments Limited ("**Marshal**") which is in turn wholly and beneficially owned by Mr. Yung.

Note 2: The 396,031,016 Shares represents the 136,546,875 Shares, 98,500,000 CPS-I and 160,984,141 CPS-II beneficially owned by Mr. Yung.

(ii) Interests in the issued share capital of the Company's associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares	Position	Approximate percentage of shareholdings in the associated corporation's issued share capital
Mr. Yung	Wanjia *(Note 1)*	Corporate interest *(Note 2)*	24,192,100	Long	3.73%
		Personal interest	47,009,375	Long	7.25%

Note 1: The Company held the entire issued share capital of Greatly Wealth Global Group Limited ("**Greatly Wealth**"), a company incorporated in the BVI with limited liability, which is in turn interested in 411,917,648 shares of Wanjia, a company incorporated in the Cayman Islands with limited liability of which its shares are listed on the Main Board of the Stock Exchange (representing approximately 63.53% of the issued share capital of Wanjia Group). Therefore, Wanjia is an associated corporation of the Company for the purposes of the SFO.

Note 2: These shares are held through Easeglory, the entire issued share capital of which is owned by Marshal which is in turn wholly and beneficially owned by Mr. Yung.

(iii) Interests in Share Options

Name of Director	Exercise period	Exercise price	Number of Share Options granted	Position
Mr. Yung	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
Mr. Zheng Gang	23 March 2010 to 22 March 2015	HK$1.12	2,814,084	Long
Dr. Huang Jiaqing	23 March 2010 to 22 March 2015	HK$1.12	312,676	Long

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares, CPS, options, warrants, convertible securities and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) entered in the register required to be kept under section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at the Latest Practicable Date, other than the interests disclosed above in respect of certain directors and chief executive of the Company, 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, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Marshal *(Note 1)*	120,960,500	Long	Corporate interest	10.45%
Easeglory *(Note 1)*	120,960,500	Long	Beneficial owner	10.45%
Mrs. Yung Muk Ying *(Note 1)*	518,691,516	Long	Interest of spouse	44.82%
South Hoper Industry Co. Ltd. *(Note 2)*	343,217,539	Long	Corporate interest	29.65%
New Hope Group Co. Ltd. *(Note 2)*	343,217,539	Long	Corporate interest	29.65%
Tibet Hengyefeng Industrial Co., Ltd.	343,217,539	Long	Corporate interest	29.65%
New Hope International *(Note 2)*	343,217,539	Long	Beneficial owner	29.65%
Mr. Liu *(Note 2)*	343,217,539	Long	Corporate interest	29.65%
Ms. Liu Chang *(Note 2)*	343,217,539	Long	Corporate interest	29.65%
Ms. Li Wei *(Note 2)*	343,217,539	Long	Interest of spouse	29.65%

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Mr. Lau Kim Hung, Jack *(Note 3)*	64,016,000	Long	Corporate interest	5.53%
Ms. Chan Yiu Kan, Katie *(Note 3)*	64,016,000	Long	Interest of spouse	5.53%
Rubyland Investments Limited *(Note 3)*	60,000,000	Long	Beneficial owner	5.18%
Mr. Zhan Guo Tuan *(Note 4)*	60,000,000	Long	Beneficial owner	5.18%
Ms. Lin Zhen Jin *(Note 4)*	60,000,000	Long	Interest of spouse	5.18%

Note 1: The issued share capital of Easeglory is 100% beneficially owned by Marshal which is in turn beneficially owned by Mr. Yung. By virtue of her being the spouse of Mr. Yung, Mrs. Yung Muk Ying is deemed to be interested in 120,960,500 Shares held by Easeglory, 136,546,875 Shares, 1,700,000 Share Options and 98,500,000 CPS-I and 160,984,141 CPS-II beneficially held by Mr. Yung in personal capacity.

Note 2: New Hope International is interested in 343,217,539 CPS-II. The issued share capital of New Hope International is 75% beneficially owned by South Hoper Industry Co. Ltd. which is in turn 51% held by New Hope Group Co. Ltd. and 49% held by Tibet Hengyefeng Industrial Co., Ltd.. New Hope Group Co. Ltd. is beneficially held by Mr. Liu, Ms. Liu Chang and Ms. Li Wei in shareholding proportionate among them as 62.34%, 36.35% and 1.31% respectively. Tibet Hengyefeng Industrial Co., Ltd. is controlled by Ms. Liu Chang. Therefore, Mr. Liu, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in Shares.

Note 3: The issued share capital of Rubyland Investments Limited, a company incorporated in the BVI with limited liability, is 100% beneficially owned by Mr. Lau Kim Hung, Jack. The 64,016,000 Shares represent (i) 60,000,000 Shares are held through Rubyland Investments Limited; and (ii) 4,016,000 Shares are held through Bountiful Resources Limited, a company incorporated in the BVI with limited liability, the entire issued share capital of which are both owned by Mr. Lau Kim Hung, Jack. By virtue of her being the spouse of Mr. Lau Kim Hung, Jack, Ms. Chan Yiu Kan, Katie is deemed to be interested in 60,000,000 Shares held by Rubyland Investments Limited and 4,016,000 Shares held by Bountiful Resources Limited.

Note 4: Mr. Zhan Guo Tuan is interested in 60,000,000 Shares. Ms. Lin Zhen Jin is deemed to be interested in 60,000,000 Shares by virtue of her being the spouse of Mr. Zhan Guo Tuan.

5. ADDITIONAL DISCLOSURE OF INTEREST AND DEALING IN SHARES

As at the Latest Practicable Date,

(a) save for the Put Option, there was no agreement, arrangement or understanding (including any compensation arrangement) between the CPS-II Holders or any parties acting in concert with any of them and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the CPS-II Holders or any parties acting in concert with any of them under the Conversion;

(b) save as disclosed in the section headed "**Shareholding structure of the Company**" in the letter from the Board of this circular, none of the CPS-II Holders and parties acting in concert with any of them held, owned or controlled any other Shares, CPS, convertible securities, warrants, options or derivatives of the Company. In addition, none of the CPS-II Holders and parties acting in concert with any of them had dealt for value in any Shares, CPS, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(c) none of the directors of New Hope International was interested in any Shares, CPS, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of New Hope International had dealt in any Shares, CPS, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(d) no person had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated respectively thereunder;

(e) the CPS-II Holders or parties acting in concert with any of them did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) none of the CPS-II Holders and parties acting in concert with any of them had borrowed or lent any Shares, CPS, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares to any person;

(g) save as disclosed in the paragraph headed "**4. DISCLOSURE OF INTERESTS**" in this appendix, none of the Directors was interested in any Shares, CPS, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, CPS, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(h) none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of New Hope International (being one of the CPS-II Holders) or similar rights which are convertible or exchangeable into shares of New Hope International. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of New Hope International during the Relevant Period;

(i) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, CPS, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company from the date of the 2014 Announcement to the Latest Practicable Date;

(j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company from the date of the 2014 Announcement to the Latest Practicable Date;

(k) no Shares, CPS, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any securities of the Company from the date of the 2014 Announcement to the Latest Practicable Date;

(l) none of the Company nor any Directors had borrowed or lent any Shares, CPS, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with Conversion and the Whitewash Waiver;

(n) save for the Put Option, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the CPS-II Holders or any parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon Conversion and the Whitewash Waiver; and (ii) between any Directors and any other persons having any connection with or dependence upon Conversion and the Whitewash Waiver; and

(o) there was no material contract entered into by the CPS-II Holders or any parties acting in concert with any of them in which any Director has a material personal interest.

6. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies:

(a) which is not determinable by the Company within one year without payment of compensation, other than statutory compensation;

(b) which (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the 2014 Announcement;

(c) which were continuous contracts with a notice period of 12 months or more; or

(d) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

7. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, the Group was not aware of any business or interest of the Directors and their respective associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interests which any such person have or may have with the Group.

8. DIRECTORS' INTEREST IN ASSET

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries after the date two years immediately preceding the date of the 2014 Announcement and, up to and including the Latest Practicable Date and which are or may be material:

(a) the subscription agreement dated 10 April 2013 and entered into between the Company and Mr. Yung in relation to the subscription of 504,201,680 CPS-II in the principal amount of HK$120 million;

(b) the acquisition agreement dated 1 September 2014 entered into among 福州嘉匯企業管理諮詢有限公司 (Fuzhou Jiahui Enterprise Management Consultancy Limited#), a wholly-owned subsidiary of the Company, as purchaser, 鄭金清 (Zheng Jinqing) and 宋燕清 (Song Yanqing) as vendors, 福建邁迪森實業有限公司 (Fujian Maidesen Enterprises Company Limited#), an indirect wholly-owned subsidiary of the Company, as lender, 福州匯康企業管理諮詢有限公司 (Fuzhou Huikang Enterprise Management Consultancy Limited#) as target company and 九龍醫院有限公司 (Jiulong Hospital Company Limited#), a company wholly and beneficially owned by the target company, in relation to the acquisition of (i) the entire equity interest of the target company; and (ii) a loan in the principal amount of RMB37,941,305.25 owing by the vendor to the lenders, by the purchaser at the total consideration of RMB37,941,305.25; and

(c) the Deed of Amendments.

12. MATERIAL ADVERSE CHANGE

Save for the implementation of stringent regulations on pharmaceutical distributor operation under the new Good Supply Practice in Fujian, the PRC in April 2014 resulted in substantial impartment loss of goodwill for the pharmaceutical business, the Directors are not aware of any other material change in the financial or trading position of the Group since 31 March 2014, being the date to which the latest audited financial statements of the Company were made up as at the Latest Practicable Date.

13. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert who have been named in this circular or have given their opinion or advice which are contained in this circular:

Name	Qualification
Veda Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Veda Capital did not have any shareholding, directly or indirectly, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either directly or indirectly, in any assets which had been, since 31 March 2014 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the letter and the references to its name in the form and context in which it appear.

14. MISCELLANEOUS

(a) The address of Mr. Yung is c/o 19th Floor, New Wing, 101 King's Road, Hong Kong.

(b) The address of New Hope International is Room 1004, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong. The directors of New Hope International are Ms. Li Wei (李巍), Ms. Liu Chang (劉暢), Mr. Wang Xinbiao (王新彪) and Mr. Zhang Guokun (張國昆).

(c) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The head office and principal place of business of the Company in Hong Kong is located at 19th Floor, New Wing, 101 King's Road, Hong Kong.

(e) The branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The compliance officer of the Company is Mr. Yung Kwok Leong. He is a registered economist in the Fujian Province in the PRC.

(g) The secretary of the Company is Mr. Lam Williamson. He is a member of the Certified Practising Accountant in Australia and a member of the Hong Kong Institute of Certified Public Accountants.

(h) The English text of this circular shall prevail over the Chinese text in case of consistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at 19/F., New Wing, 101 King's Road, Hong Kong during normal business hours on any Business Day; (ii) on the website of the Company (www.huaxia-healthcare.com); and (iii) on the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of associations of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 March 2014, 31 March 2013 and 31 March 2012;

(c) the interim report of the Company for the six months ended 30 September 2014;

(d) the third quarterly report of the Company for the nine months ended 31 December 2014;

(e) the letter from the Board, the text of which is set out on pages 7 to 23 of this circular;

(f) the letter from the Connected Transaction Independent Board Committee, the text of which is set out on pages 24 to 26 of this circular;

(g) the letter from the Whitewash Waiver Independent Board Committee, the text of which is set out on pages 27 to 29 of this circular;

(h) the letter of advice from Veda Capital, the text of which is set out on pages 30 to 46 of this circular;

(i) the written consent from INCU Corporate Finance Limited that it has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name in the form and context in which it appears;

(j) the written consent from the expert set out in the section "**QUALIFICATIONS AND CONSENT OF EXPERT**" in this appendix;

(k) the material contracts referred to in the paragraph headed "**MATERIAL CONTRACTS**" in this appendix; and

(l) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of Hua Xia Healthcare Holdings Limited (the "**Company**") will be held at 19/F., New Wing, 101 King's Road, Hong Kong at 11:00 a.m. on Friday, 6 March 2015 for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** subject to the fulfillment of the terms and conditions set out in the deed of amendments (the "**Deed of Amendments**") dated 9 January 2015 and entered into amongst the Company, Yung Kwok Leong ("**Mr. Yung**") and New Hope International (Hong Kong) Limited ("**New Hope International**"), in relation to (a) the Proposed Alteration (as defined below); (b) conditional conversion ("**Yung's Conversion**") of 160,984,141 non-redeemable convertible preference shares ("**CPS-II**") allotted and issued by the Company on 10 October 2013 by Mr. Yung; and (c) conditional conversion ("**NHI's Conversion**" together with Yung's Conversion, the "**Conversions**") of 343,217,539 CPS-II by New Hope International, a copy of the Deed of Amendments has been produced to this meeting marked "A" and initialled by the Chairman for the purpose of identification; and

    (a) the Deed of Amendments and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;

    (b) the terms and conditions constituting the CPS-II (the "**Terms**") as set out in Appendix IV to the circular of the Company dated 19 August 2013 be and are hereby altered and amended (the "**Proposed Alteration**") in the following manner:

    Paragraph 5(D) of the Terms shall be deleted in its entirety and be replaced by the following new Paragraph 5(D):

    "5(D) Conversion of the Convertible Preference Shares shall be effected in such manner as the Directors shall subject to the Terms, the Articles, the Statutes, the HK Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (i) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date or (ii) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

* *For identification purposes only*

Without prejudice to the generality of the foregoing, any Convertible Preference Share may be converted by repurchase on the relevant Conversion Date out of:

(a) subject to the Statutes or HK Laws, the capital paid up on the Relevant Convertible Preference Shares; or

(b) out of profits of the Company; or

(c) the proceeds of a fresh issue of shares made for the purpose; or

(d) any combination of (a), (b) and (c),

and in the case of any premium payable on such a repurchase, out of the Company's profit or the Company's share premium account or the capital paid up on the Relevant Convertible Preference Shares. Each Conversion Notice shall be deemed to authorize and instruct the Directors to retain any repurchase moneys otherwise payable to the Converting Shareholder and, in respect of the Relevant Convertible Preference Share, to apply the same in the subscription on such Converting Shareholder's behalf of the Conversion Shares (subject to the treatment of fractions described in paragraph 13) and, to the extent that conversion shall be effected out of the proceeds of a fresh issue of shares, where appropriate, each Conversion Notice shall be deemed:

(i) to appoint any person selected by the Directors as such Converting Shareholder's agent with authority to apply an amount equal to the repurchase moneys in respect of the Relevant Convertible Preference Shares in subscribing on such Converting Shareholder's behalf for the Conversion Shares (subject to the treatment of fractions described in paragraph 13); and

(ii) to authorise and instruct the Directors following the allotment of such Conversion Shares to pay the said repurchase moneys to such agent who shall be entitled to retain the same for his own benefit without being accountable therefor to such Converting Shareholder;

provided that if the Converting Shareholder has a registered address in any territory where in the absence of a registration statement or any other special formalities the allotment or delivery of any Conversion Shares would or might in the opinion of the Directors be unlawful or impracticable under the laws of such territory or any Relevant Jurisdiction, the Company shall as soon as reasonably practicable after the receipt of the relevant Conversion Notice allot the Conversion Number of the Ordinary Shares to the Converting Shareholder or to one or more third parties selected by the Company and on behalf of the Converting Shareholder sell the same to one or more third parties selected by the Company for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment and sale, the Company shall pay the Converting Shareholder an amount equal to the consideration received by it."

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Deed of Amendments and the transactions contemplated thereunder."

2. "**THAT** subject to the passing of the ordinary resolution numbered 1 set out above,

(a) the terms of the application for a waiver granted or to be granted by the Securities and Futures Commission of Hong Kong to Mr. Yung and New Hope International together with parties acting in concert with any of them pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the waiver of the obligations of Mr. Yung and New Hope International and parties acting in concert with any of them to make a mandatory offer for all the shares (the "**Shares**") of HK$0.01 each in the issued ordinary share capital of the Company not already owned or agreed to be acquired by them (the "**Whitewash Waiver**") be and is hereby approved;

(b) any one or more of the Directors be and is/are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Whitewash Waiver; and

(c) any one or more of the Directors be and are hereby authorised to allot and issue the Shares pursuant to or in connection with the Conversions."

3. "**THAT** the appointment of Mr. Tang Xun (湯珣) as a non-executive Director, which will only take effect after completion of the Conversions, be and is hereby approved."

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

Hong Kong, 13 February 2015

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
19th Floor, New Wing
101 King's Road
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should you so wish.

3. In the case of joint holders of shares, any one such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. The voting on the resolutions at the Meeting will be conducted by way of a poll.