HUA XIA HEALTHCARE HOLDINGS LIMITED
華夏醫療集團有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8143)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

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

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

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

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2015 is as follows:

- Total turnover was approximately HK$1,780.309 million (2014: approximately HK$2,243.159 million), representing approximately 20.63% of decreased over 2014. The decrease in turnover was mainly driven by the sales from the pharmaceutical wholesales and distribution segment due to the implementation of the New GSP in 2014.

- Gross profit was approximately HK$277.728 million (2014: approximately HK$269.003 million), with gross profit margin maintained at a similar level as 2014.

- The operating loss was approximately HK$759.875 million (2014: profit of approximately HK$77.163 million). Net loss attributable to owners of the Company was approximately HK$505.581 million (2014: Net profit attributable to owners of the Company was approximately HK$21.913 million), representing a decrease in the profit attributable to owners of the Company as compared to the same period last year. The loss was mainly related to the impairment loss on goodwill of approximately HK$785.169 million recognised by our non-wholly owned subsidiary – Wanjia Group. If such effect was taken out, the Group recorded a profit from operations of approximately HK$25.294 million through it was an approximately 67.22% decrease as compared to last year.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hua Xia Healthcare Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	**2015** ***HK$'000***	2014 *HK$'000*
Turnover	*6*	**1,780,309**	2,243,159
Cost of sales		**(1,502,581)**	(1,974,156)
Gross profit		**277,728**	269,003
Other revenue	*6*	**9,502**	10,258
Other gain, net	*6*	**476**	1,360
Selling and distribution expenses		**(141,745)**	(94,873)
Administrative expenses		**(120,667)**	(92,316)
Impairment loss on goodwill		**(785,169)**	–
Loss on early redemption of promissory note		**–**	(16,269)
(Loss)/profit from operations	*7*	**(759,875)**	77,163
Finance costs	*8*	**(11,520)**	(10,493)
(Loss)/profit before taxation		**(771,395)**	66,670
Taxation	*9*	**(10,789)**	(29,216)
(Loss)/profit for the year		**(782,184)**	37,454
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,131**	7,284
Total comprehensive (loss)/income for the year		**(780,053)**	44,738

	Note	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(505,581)**	21,913
Non-controlling interests		**(276,603)**	15,541
		(782,184)	37,454
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(504,393)**	28,398
Non-controlling interests		**(275,660)**	16,340
		(780,053)	44,738
(Loss)/earnings per share attributable to owners of the Company			
– Basic (HK cents per share)	*10*	**(28.73)**	1.52
– Diluted (HK cents per share)	*10*	**(28.73)**	1.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**72,030**	36,374
Prepaid lease payments		**30,255**	31,365
Investment properties		**8,093**	8,306
Goodwill		**31,939**	788,420
		142,317	864,465
Current assets			
Inventories		**133,516**	133,939
Trade and other receivables and deposits	*12*	**497,111**	528,144
Financial assets at fair value through profit or loss		**–**	1,259
Derivative financial instruments		**284**	384
Pledged bank deposits		**12,970**	17,431
Cash and cash equivalents		**88,793**	92,418
		732,674	773,575
Total assets		**874,991**	1,638,040
EQUITY			
Capital and reserves			
Share capital		**17,601**	17,562
Reserves		**204,209**	706,691
Equity attributable to owners of the Company		**221,810**	724,253
Non-controlling interests		**159,688**	426,170
Total equity		**381,498**	1,150,423

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**287,349**	310,259
Bank borrowings		**121,454**	88,088
Amounts due to non-controlling shareholders		**1,147**	1,213
Tax payables		**5,042**	11,258
		414,992	410,818
Non-current liabilities			
Convertible note		**5,432**	5,012
Promissory note		**72,712**	71,361
Deferred taxation		**357**	426
		78,501	76,799
Total liabilities		**493,493**	487,617
Total equity and liabilities		**874,991**	1,638,040
Net current assets		**317,682**	362,757
Total assets less current liabilities		**459,999**	1,227,222

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	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$'000* *(Note (b))*	(Accumulated loss)/ Retained profits *HK$'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
Other comprehensive income for the year, net of tax													
Exchange difference on translating foreign operations	–	–	–	–	–	6,485	–	–	–	–	6,485	799	7,284
Profit for 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 and 1 April 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
Other comprehensive income for the year, net of tax													
Exchange difference on translating foreign operations	–	–	–	–	–	1,188	–	–	–	–	1,188	943	2,131
Loss for the year	–	–	–	–	–	–	–	–	–	(505,581)	(505,581)	(276,603)	(782,184)
Total comprehensive income for the year	–	–	–	–	–	1,188	–	–	–	(505,581)	(504,393)	(275,660)	(780,053)
Exercise of share options	39	1,969	–	–	–	–	(58)	–	–	–	1,950	–	1,950
Lapse of share options	–	–	–	–	–	–	(15,399)	–	–	15,399	–	–	–
Non-controlling interests arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	9,178	9,178
Transfer to statutory reserve	–	–	–	–	–	–	–	–	3,569	(3,569)	–	–	–
At 31 March 2015	**17,601**	**318,938**	**295,610**	**(97,455)**	**(6,735)**	**33,977**	**188**	**2,537**	**40,648**	**(383,499)**	**221,810**	**159,688**	**381,498**

Notes:

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

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

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

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

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

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

(d) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in Note 3.

(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 March 2014 represented the difference between the amount of special interim dividend paid in specie and the non-controlling interests' share of net assets of Wanjia Group pursuant to the separate listing of shares of Wanjia Group.

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

1. CORPORATE INFORMATION

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

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

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

2. REORGANISATION

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

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

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

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

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

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

Upon the completion of the Reorganisation, Wanjia Group became the holding company of Luxuriant Expand, Timely Hero, Nurture Fit Limited ("**Nurture Fit**"), Hui Hao (HK) Group Limited ("**Hui Hao (HK)**"), Fujian Huihao Sihai Pharmaceutical Chain Company Limited ("**Huihao Sihai**"), Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd ("**Fuzhou Hiuhao**"), 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, for the first time, the following new standards, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning on 1 April 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

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”.

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

HK (IFRIC) – Int 21 *Levies*

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation[4]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 1 (Amendments)	Disclosure Initiative[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[4]
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contribution[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[4]

[1] Effective for annual periods beginning on or after 1 July 2014

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

[3] Effective for first annual HKFRS financial statements beginning on or 1 January 2016

[4] Effective for annual periods beginning on or after 1 January 2016

[5] Effective for annual periods beginning on or after 1 January 2017

[6] Effective for annual periods beginning on or after 1 January 2018

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

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. 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 adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. 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 10, HKFRS 12 and HKAS 28 (2011) *Investment Entities: Applying the Consolidation Exception*

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 *Accounting for Acquisition of Interests in Joint Operation*

HKFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Directors do not anticipate that the application of the amendments to HKFRS 11 will have a significant impact on the Group's consolidated financial statements.

HKFRS 14 *Regulatory Deferral Accounts*

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Principles ("**GAAP**") requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The Directors do not anticipate that the application of HKFRS 14 will have a significant impact on the Group's consolidated financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017 with earlier application permitted.

The Group is in the process of assessing the potential impact of HKFRS 15 upon initial application but is not yet in a position to state whether there will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments can be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016.

The Directors do not anticipate that the application of the amendments to HKAS 1 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The Directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 19 (2011) *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The Directors do not anticipate that the application of the amendments to HKAS 27 will have a significant impact on the Group's consolidated financial statements.

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.

Basis of preparation

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

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

5. SEGMENT INFORMATION

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

Segment revenue and results

2015

	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	214,040	1,566,269	–	1,780,309
Inter-segment sales	–	1,418	(1,418)	–
Total turnover	214,040	1,567,687	(1,418)	1,780,309

Inter-segment sales are charged at arm's length

Results				
Segment results	9,669	(756,100)	–	(746,431)
Unallocated other revenue and income				23
Unallocated corporate expenses				(13,467)
Loss from operations				(759,875)
Finance costs				(11,520)
Loss before taxation				(771,395)
Taxation				(10,789)
Loss for the year				(782,184)

Segment assets and liabilities

2015

	Provision of general hospital services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Consolidated HK$'000
Consolidated statement of financial position			
Assets			
Segment assets	**223,334**	**644,490**	**867,824**
Unallocated corporate assets			**7,167**
Consolidated total assets			**874,991**
Liabilities			
Segment liabilities	**40,179**	**367,781**	**407,960**
Promissory note			**72,712**
Convertible note			**5,432**
Deferred taxation			**357**
Unallocated corporate liabilities			**7,032**
Consolidated total liabilities			**493,493**

	Provision of general hospital services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information				
Capital expenditure*	**35,057**	**15,346**	**7**	**50,410**
Depreciation	**9,593**	**5,081**	**4**	**14,678**
Amortisation of prepaid lease payments	**1,069**	**188**	**–**	**1,257**
(Gain)/loss on disposal of property, plant and equipment	**(84)**	**80**	**–**	**(4)**
Impairment loss on goodwill	**–**	**785,169**	**–**	**785,169**
Impairment loss recognised in respect of trade and other receivables	**1,356**	**3,961**	**–**	**5,317**
Reversal of impairment loss recognised in respect of trade and other receivables	**(688)**	**(130)**	**–**	**(818)**
Change in fair value of derivative financial instruments	**–**	**–**	**100**	**100**
Change in fair value of investment properties	**–**	**252**	**–**	**252**

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

Segment revenue and results

2014

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

Inter-segment sales are charged at arm's length

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

Segment assets and liabilities

2014

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

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. 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.

- 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	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**415**	412
PRC	**141,902**	864,053
	142,317	864,465

Information about major customers

For the years ended 31 March 2015 and 2014, no single customer contributed 10% or more to the Group's turnover.

Revenue from major services and products

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

6. TURNOVER AND OTHER REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
Turnover:		
Retail of pharmaceutical and related products	**220,762**	238,100
Wholesale and distribution of pharmaceutical and related products	**1,345,507**	1,854,374
Provision of general hospital services	**214,040**	150,685
	1,780,309	2,243,159
Other revenue:		
Bank interest income	**1,529**	925
Realised gain on financial assets at fair value through profit or loss	**–**	117
Loan interest income	**2,610**	2,390
Rental income	**2,511**	2,373
Exhibition income	**1**	2,816
Sundry income	**2,851**	1,637
	9,502	10,258
Other gain, net:		
Exchange gain	**6**	–
Gain on disposal of property, plant and equipment	**4**	299
Change in fair value of derivative financial instruments	**(100)**	315
Reversal of impairment loss recognised in respect of trade and other receivables	**818**	746
Change in fair value of investment properties	**(252)**	–
	476	1,360

7. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Directors' remuneration	**4,210**	2,739
Other staffs' retirement benefits scheme contributions	**12,185**	10,399
Other staff costs	**102,681**	86,369
	119,076	99,507
Auditors' remuneration		
– audit services	**1,300**	1,300
– non-audit services	**–**	2,169
Impairment loss recognised in respect of trade and other receivables	**5,317**	1,863
Cost of inventories sold	**1,459,734**	1,944,985
Amortisation of prepaid lease payments	**1,257**	1,257
Depreciation of property, plant and equipment		
– owned by the Group	**14,678**	10,551
Impairment loss on goodwill	**785,169**	–
Operating lease rentals in respect of land and buildings	**35,987**	23,160
Loss on early redemption of promissory note	**–**	16,269

8. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on:		
– interest expenses on bank borrowings wholly repayable within five years	**8,819**	6,015
– interest expenses on convertible note	**550**	515
– interest expenses on promissory note	**2,151**	3,963
	11,520	10,493

9. TAXATION

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year as the Group has no assessable profits arising in Hong Kong (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year		
– The PRC	**10,736**	25,746
Under provision in prior year:		
– The PRC	**122**	1,151
Withhold tax paid	**–**	2,383
Deferred tax during the year	**(69)**	(64)
	10,789	29,216

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

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

10. (LOSS)/EARNINGS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the purpose of basic and diluted earnings per share		
– (Loss)/profit for the year attributable to the owners of the Company	**(505,581)**	21,913
	No. of shares	*No. of shares*
	'000	*'000*
Weighted average number of ordinaryshares for the purpose of basic (loss)/earnings per share		
– Ordinary shares in issue	**1,186,354**	1,103,672
– Preference shares in issue	**573,693**	336,096
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**1,760,047**	1,439,768

For the year ended 31 March 2015, the calculation of diluted (loss)/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 2015 as the exercise of the Convertible Note and the post-listing share options would decrease the loss per share, and therefore are anti-dilutive.

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 the earnings per share, and therefore are anti-dilutive.

11. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distributionduring the year		
2014/15 special interim dividend ofHK$Nil 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 2015 (2014: Nil).

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**297,403**	284,223
Bill receivables	**6,229**	7,748
Prepayments and deposit paid	**145,130**	140,693
Prepaid lease payments	**1,261**	1,255
Other receivables	**54,094**	101,789
	504,117	535,708
Less: Impairment loss recognised in respect of other receivables	**(7,006)**	(7,564)
	497,111	528,144

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**218,913**	227,618
91 to 180 days	**51,122**	28,337
181 to 365 days	**18,212**	16,002
Over 365 days	**15,970**	14,092
	304,217	286,049
Less: Impairment loss recognised in respect of trade receivables	**(6,814)**	(1,826)
	297,403	284,223

13. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**189,619**	204,136
Bills payables	**18,697**	36,070
Receipts in advance	**17,410**	22,989
Accruals and other payables	**61,623**	47,064
	287,349	310,259

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

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**123,096**	137,660
91 to 180 days	**25,230**	16,007
181 to 365 days	**14,510**	19,058
Over 365 days	**26,783**	31,411
	189,619	204,136

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Turnover

The Group recorded turnover of approximately HK$1,780.309 million (2014: approximately HK$2,243.159 million) for the year ended 31 March 2015, a decrease of approximately 20.63% as compared with last year. The gross profit margin of the Group was approximately 15.60%, (2014: approximately 11.99%). The increase was attributable to the growth in general hospital services among the operating segments.

General hospital services

During the year ended 31 March 2015, the Group operated three (2014: two) general hospitals in Chongqing, Jiaxing and Zhuhai, respectively principally engaged in the provision of general hospital services, including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The management envisaged more diversified hospital services being readily available to satisfy various needs of the public in the next few years, from the common illness treatments to the treatments of special and difficult diseases. Therefore, the Group will continue to allocate resources to develop such services either from our existing hospitals or through collaboration strategic partners. The turnover generated from general hospital services amounted to approximately HK$214.040 million (2014: approximately HK$150.685 million), representing a significant increase of approximately 42.04% as compared with last year.

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The Group engages in the wholesale, distribution of a board range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC through its subsidiary – Wanjia Group Holdings Limited. The Group's pharmaceutical retail chain operation has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within Fujian Province, as ranked by the independent associations in the PRC. The Group continues to allocate resources and to look for business opportunities to expand the pharmaceutical wholesale, distribution and retail chain businesses. Turnover generated from pharmaceutical wholesales, distribution and pharmaceutical retail chain business amounted to approximately HK$1,566.269 million (2014: approximately HK$2,092.474 million), representing approximately 25.15% of decrease over 2014 and accounted for approximately 87.98% of the Group's turnover. The decrease was mainly attributable to the reduction in sales to distributor customers due to the stringent regulations after the promulgation and implementation of the New GSP.

Other revenue

Other revenue, primarily including exhibition income, rental income, interest income from bank deposits and interest income from loan receivables, amounted to approximately HK$9.502 million (2014: approximately HK$10.258 million) for the year ended 31 March 2015, which maintained at similar level as in 2014.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (1) salaries and wages of sales and marketing personnel, (2) rental expenses and (3) transportation expenses. For the year ended 31 March 2015, selling and distribution expenses amounted to approximately HK$141.745 million (2014: approximately HK$94.873 million), representing an increase of approximately 49.40% as compared with last year. The increase in selling and distribution expenses was principally attributable to the increase in both the number of retail pharmacies and hospitals being served during the year.

Administrative expenses

Administrative expenses for the year ended 31 March 2015 amounted to approximately HK$120.667 million (2014: approximately HK$92.316 million), representing an increase of approximately 30.71% as compared with last year. The increment was mainly contributed by the Group's the expansion of the Group's scale of operation as mentioned above.

Finance costs

For the year ended 31 March 2015, the finance costs of the Group were approximately HK$11.520 million (2014: approximately HK$10.493 million), representing an increase of approximately 9.79% as compared with last year. The increase was mainly due to the increased average outstanding bank loans during the year.

Loss attributable to owners of the Company

The Group recorded a net loss attributable to the owners of the Company of approximately HK$505.581 million (2014: net profit attributable to the owners of the Company of approximately HK$21.913 million), representing a decrease in the profit attributable to owners of the Company as compared with last year. The loss was mainly attributable to the impairment loss on goodwill of approximately HK$785.169 million recognised by our non-wholly owned subsidiary Wanjia Group.

In August 2014, the Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced the 10 companies which are permitted to conduct the business in the distribution to public hospitals and public healthcare institutions after 2016. The operating subsidiary of Wanjia Group, namely (福建省福州市惠好藥業有限公司) Fujian Province Fuzhou City Huihao Pharmaceutical Co. Limited# is on the list. Notwithstanding recognition as a qualified participant in the distribution industry is encouraging, the effect of the implementation of the New GSP and any future policy development on the hospital distribution business of the Group remains uncertain. Having taken into account the financial performance as of June 2014, the Board of Wanjia Group reviewed again the potential effects of the New GSP on the distribution business in late July 2014 and prudently lowered the forecasted performance in sales to distributor customers, As a result the impairment loss on the goodwill was triggered. The carrying amount of goodwill was tested for impairment as at 30 June 2014. The impairment test compared the discounted cash flow of the cash-generating units (CGUs) with the carrying amounts of the CGUs. The recoverable amounts of the CGUs were significantly less than the carrying value of the goodwill, therefore, an impairment loss on the goodwill of approximately HK$785.169 million was made in the year under review.

English translations of official Chinese names are for identification purpose only

OUTLOOK AND FUTURE PROSPECTS

Fueled by China's growing economy, market potential released form expanded national medical insurance coverage, accelerated urbanization and ageing population, the management believes that demand for healthcare will continue to drive China's healthcare industry, enabling it to maintain fast growth in 2015.

As 2015 is the last year of the country's Twelfth Five-Year plan period, the goal of expanding private healthcare services is to be achieved at different levels of the country, supported by a series of favorable policies from the loose-up on pricing structures to the reduction of entry restrictions. The roles of private hospitals have been recognized to meet specific needs of the public in connection with the state owned hospitals. At the same time, the consolidation in the public funded healthcare resources is also intensifying as a result of the continuous healthcare reform.

The management believes that the Group will reap benefits from the government's policies for encouraging privatization and resources consolidation, being a pioneering healthcare company with strong integrated capabilities, in general hospitals services and with its focus on private hospitals.

The year 2015 offers opportunities as well as challenges for the Group, by strengthening the financial position, enhancing future development and competitiveness to seize the greatest benefit from the economy growth. Based on the strength of our diversified businesses and strong management team, we are confident that the Group has ample human and financial resources in our businesses and are ready to meet the opportunities and challenges ahead.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately HK$88.793 million as at 31 March 2015 (2014: approximately HK$92.418 million).

The Group recorded total current assets of approximately HK$732.674 million as at 31 March 2015 (2014: approximately HK$773.575 million) and total current liabilities of approximately HK$414.992 million as at 31 March 2015 (2014: approximately HK$410.818 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.766 as at 31 March 2015 (2014: approximately 1.883).

As at 31 March 2015, the Group's gearing ratio was approximately 58% based on outstanding debts (comprising bill payables, bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2014: approximately 13%).

FOREIGN EXCHANGE RISK

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

CHARGES ON GROUP'S ASSETS

As at 31 March 2015, the Group had bank borrowings outstanding balances and bill payables of approximately HK$121.454 million and HK$18.697 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$12.970 million, HK$1.909 million and HK$8.093 million respectively, were pledged as collateral to secure banking facilities granted to the Group.

CAPITAL STRUCTURE

As at 31 March 2015, the total issued share capital of the Company was approximately HK$17.601 million (2014: approximately HK$17.562 million) divided into 1,661,589,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2014: 1,153,488,264 ordinary shares and 602,701,680 non-voting convertible preference shares) of HK$0.01 (2014: HK$0.01) each.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) provision of general hospital services and (2) pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses. Financial information in respect of these operations is presented in Note 6 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2015 and 2014, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

CAPITAL COMMITMENTS

As at 31 March 2015 and 2014, the Group had no material capital commitment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had 1,936 (2014: 1,720) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	18
PRC (including cities of Chongqing, Jiaxing, Zhuhai, Shanghai and the Fujian Province)	1,918

For the year ended 31 March 2015, staff costs (including directors emoluments) amounted to approximately HK$119.076 million (2014: approximately HK$99,507 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option schemes to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

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

During the year ended 31 March 2015, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

SUBSEQUENT EVENTS

The Company

Grant of share option

On 16 April 2015, the Company granted a total of 100,000,000 share options to directors and employees of the Group at the subscription price of HK$0.68 per share respectively with a 3 year exercise period each commencing 18 April 2015, 18 April 2016 and 18 April 2017 respectively.

Issue of ordinary shares in respect of exercise of share options

On 3 June 2015, 2,500,000 ordinary shares of the Company of HK$0.01 each have been issued in respect of the exercise of 2,500,000 post-listing share options. Also 9 June 2015, 9,080,000 ordinary shares of the Company of HK$0.01 each have been issued in respected of the exercise of 9,080,000 post-listing share options.

Memorandum of understanding of proposed cooperation

On 18 May 2015, the Company and Yunnan Tumor Hospital# entered into the non-legally binding memorandum of understanding (the "**MOU**") in relation to the proposed cooperation. The parties to the MOU plan to cooperate for the construction of a new branch hospital of Yunnan Tumor Hospital on a piece and parcel of land with an area of approximately 24 mu located at Lot A5, City Centre Village Project No. 53, Xishan District, Kunming, Yunnan province, the PRC, according to a mutually agreed schedule, upon obtaining the approval from the Land Planning and Management Department in Kunming for its intended use. Until the date of this announcement, the proposed cooperation is not yet materialised.

Rights issue

On 22 June 2015, the Company and the underwriter entered into an underwriting agreement. The Company proposes to raise not less than approximately HK$240 million but not more than approximately HK$260 million, before expenses, by way of the Rights Issue of not less than 334,633,988 rights shares but not more than approximately 360,908,387 rights shares to the qualifying shareholders at a subscription price of HK$0.72 per rights share on the basis of one (1) rights share for every five (5) shares held on the record date. Until the date of this announcement, the underwriting agreement has not yet becoming unconditional.

Wanjia Group

On 12 May 2015, Hui Hao (HK) Group Limited ("**Hui Hao (HK)**"), Fuzhou Ren An Medical Technology Limited#（福州仁安醫藥科技有限公司）("**Ren An**") and Fuzhou Huihao entered into the Joint Venture Agreement, pursuant to which Ren An agreed to make a capital contribution of approximately RMB26 million to the registered capital and the capital reserve of Fuzhou Huihao. The capital Increase constituted a deemed disposal of the Company's indirect equity interest in the Fuzhou Huihao through Wanjia Group and resulted that the equity interest of Hui Hao (HK) in Fuzhou Huihao was diluted from 100% to 75% and the Fuzhou Huihao is held as to 75% by Hui Hao (HK) and as to 25% by Ren An.

On 14 May 2015, Wanjia Group entered into the placing agreement with the placing agent pursuant to which Wanjia Group has conditionally agreed to place, through the placing agent, on a best efforts basis, the Wanjia Group convertible notes with principal amounts aggregating up to HK$84,292,000 to the placees at the initial conversion price of HK$0.65 per Wanjia Group conversion share ("**the placing**"). Based on the initial conversion price of HK$0.65 per conversion share, a total of 129,680,000 Wanjia Group conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the Wanjia Group convertible notes in full. The placing was completed on 1 June 2015 and assuming the conversion of Wanjia Group convertible notes in full. The equity interest of the Company in Wanjia Group will be diluted from approximately only 63.53% to approximately 52.94%. Until the date of this announcement, no Wanjia Group convertible notes have been converted.

CORPORATE GOVERNANCE PRACTICE

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

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

During the year, the roles of chairman and chief executive officer of the Company are not segregated and are exercised by the same individual. Mr. Yung Kwok Leong serves as the chairman and chief executive officer. The Board believes that vesting the roles of the Chairman and the chief executive officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency. The Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance. On 20 April 2015, Mr. Yung Kwok Leong has resigned as the executive director, the Chairman and the chief executive officer.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of code for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of directors of the Company and the directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the period from 1 April 2014 to 31 March 2015.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2015 including the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters during the review.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 3 June 2005 with written terms of reference as disclosed on the Company's website. The Remuneration Committee has four members comprising an executive director of the Company, Mr. Zheng Gang and three independent non-executive directors, namely, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Ms. Wong Ka Wai, Jeanne is the chairlady of the Remuneration Committee.

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 11 February 2014, the Board resolved to establish a Nomination and Corporate Governance Committee in place and stead of the previously Nomination Committee, which was established on 27 March 2012 in compliance with the code provision. As at the date of this announcement, the Nomination and Corporate Governance Committee consists of Dr. Jiang Tao, an executive director and three independent non-executive directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Dr. Jiang Tao is the chairman of the Nomination and Corporate Governance Committee.

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

APPRECIATION

On behalf of the Board of Directors of the Company, I would like to thank for the kind support from our customers, suppliers, business partners. Also, I would like to offer my highest gratitude to thank for to our shareholders for their devotion and to our employees across all business segments for their loyalty and contributions made during the year.

By order of the Board
Hua Xia Healthcare Holdings Limited
Jiang Tao
Chief Executive Officer

Hong Kong, 29 June 2015

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Yung Ka Chun as executive Directors; Dr. Wong Yu Man, James and Mr. Tang Xun as non-executive Directors; and Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen as independent non-executive Directors.

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