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 2016

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

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

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

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

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2016 is as follows:

- Total revenue was approximately HK$1,574.607 million (2015: approximately HK$1,780.309 million), representing a decrease of approximately 11.55% as compared with last year. The decrease in revenue was mainly attributable to the decline in sales from the pharmaceutical wholesales and distribution segment due to the implementation of the New GSP in 2015.

- Gross profit was approximately HK$279.380 million (2015: approximately HK$277.728 million), with the gross profit margin maintained at a similar level as 2015.

- The operating loss was approximately HK$21.690 million (2015: approximately HK$759.875 million). Net loss attributable to owners of the Company was approximately HK$43.372 million (2015: approximately HK$505.581 million), representing a decrease in the loss attributable to owners of the Company as compared with last year. The decrease was mainly due to no impairment loss on goodwill for the year ended 31 March 2016.

- The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*5*	**1,574,607**	1,780,309
Cost of sales		**(1,295,227)**	(1,502,581)
Gross profit		**279,380**	277,728
Other revenue	*5*	**7,593**	9,502
Other gain, net	*5*	**2,574**	476
Selling and distribution expenses		**(152,022)**	(141,745)
Administrative expenses		**(158,443)**	(120,667)
Impairment loss on goodwill		**–**	(785,169)
Loss on disposal of a subsidiary		**(772)**	–
Loss from operations	*6*	**(21,690)**	(759,875)
Finance costs	*7*	**(19,464)**	(11,520)
Loss before taxation		**(41,154)**	(771,395)
Taxation	*8*	**(3,942)**	(10,789)
Loss for the year		**(45,096)**	(782,184)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(26,457)**	2,131
Total comprehensive loss for the year		**(71,553)**	(780,053)

	Note	2016 HK$'000	2015 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(43,372)**	(505,581)
Non-controlling interests		**(1,724)**	(276,603)
		(45,096)	(782,184)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(63,278)**	(504,393)
Non-controlling interests		**(8,275)**	(275,660)
		(71,553)	(780,053)
Loss per share attributable to owners of the Company			
– Basic (HK cents per share)	*9*	**(2.42)**	(28.73)
– Diluted (HK cents per share)	*9*	**(2.42)**	(28.73)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**91,772**	72,030
Prepaid lease payments		**34,897**	30,255
Investment property		**7,199**	8,093
Goodwill		**30,068**	31,939
		163,936	142,317
Current assets			
Inventories		**118,574**	133,516
Trade and other receivables and deposits	*11*	**339,251**	497,111
Derivative financial instruments		**301**	284
Pledged bank deposits		**6,096**	12,970
Cash and cash equivalents		**249,712**	88,793
		713,934	732,674
Total assets		**877,870**	874,991
EQUITY			
Capital and reserves			
Share capital		**17,978**	17,601
Reserves		**163,987**	204,209
Equity attributable to owners of the Company		**181,965**	221,810
Non-controlling interests		**212,381**	159,688
Total equity		**394,346**	381,498

	Note	**2016**	2015
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**271,771**	287,349
Bank borrowings		**50,395**	121,454
Amounts due to non-controlling shareholders		**662**	1,147
Tax payables		**2,573**	5,042
		325,401	414,992
Non-current liabilities			
Convertible notes		**83,178**	5,432
Promissory note		**74,104**	72,712
Deferred taxation		**841**	357
		158,123	78,501
Total liabilities		**483,524**	493,493
Total equity and liabilities		**877,870**	874,991
Net current assets		**388,533**	317,682
Total assets less current liabilities		**552,469**	459,999

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to the owners of the Company												
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Other reserve** *HK$'000*	**Special reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Convertible note reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**(Accumulated losses)/ retained profits** *HK$'000*	**Sub-Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 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/(loss) 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)	–	–	–
As at 31 March 2015 and 1 April 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
Other comprehensive loss for the year, net of tax													
Exchange difference on translating foreign operations	–	–	–	–	–	(19,906)	–	–	–	–	(19,906)	(6,551)	(26,457)
Loss for the year	–	–	–	–	–	–	–	–	–	(43,372)	(43,372)	(1,724)	(45,096)
Total comprehensive income for the year	–	–	–	–	–	(19,906)	–	–	–	(43,372)	(63,278)	(8,275)	(71,553)
Equity-settled share-based payments	–	–	–	–	–	–	19,376	–	–	–	19,376	–	19,376
Exercise of share options	377	32,323	–	–	–	–	(7,541)	–	–	–	25,159	–	25,159
Deemed disposal of interest in a subsidiary	–	–	–	(29,208)	–	–	–	–	–	–	(29,208)	63,409	34,201
Additional interests in a subsidiary	–	–	–	550	–	–	–	–	–	–	550	(550)	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	2,474	(2,474)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	(139)	–	–	–	–	(139)	(1,891)	(2,030)
Issue of convertible notes	–	–	–	–	–	–	–	7,695	–	–	7,695	–	7,695
As at 31 March 2016	**17,978**	**351,261**	**295,610**	**(126,113)**	**(6,735)**	**13,932**	**12,023**	**10,232**	**43,122**	**(429,345)**	**181,965**	**212,381**	**394,346**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The consolidated financial statements are presented in thousands of units of HK$ (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. 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

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

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

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

[4] Effective for annual periods beginning on or after 1 January 2019

[5] Effective for annual periods beginning on or after the date to be determined

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 amendments will have a material effect on the Group's consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

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 amendments to HKFRS 10, HKFRS 12 and HKAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

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***

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, 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 of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value 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.

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***

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

HKFRS 14 ***Regulatory Deferral Accounts***

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) – Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer). HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Company is in the process of making an assessment of the potential impact of application of HKFRS 16, the directors consider that it is not practicable to provide a reasonable estimate of the effect of the adoption of HKFRS 16 until the Company performs a detailed review.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the Group's consolidated financial statements.

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

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

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 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost;

– In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or

– Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The 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. In addition, the consolidated financial statements include applicable disclosures required by the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

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: provision of general hospital services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

For the year ended 31 March 2016

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	**252,844**	**1,321,763**	**–**	**1,574,607**
Inter-segment sales	**–**	**65,782**	**(65,782)**	**–**
Total revenue	**252,844**	**1,387,545**	**(65,782)**	**1,574,607**

Inter-segment sales are charged at arm's length

Results				
Segment results	**5,242**	**9,120**	**–**	**14,362**
Unallocated other revenue and income				**707**
Loss on disposal of a subsidiary				**(772)**
Unallocated corporate expenses				**(35,987)**
Loss from operations				**(21,690)**
Finance costs				**(19,464)**
Loss before taxation				**(41,154)**
Taxation				**(3,942)**
Loss for the year				**(45,096)**

Segment assets and liabilities

As at 31 March 2016

	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	219,238	614,471	833,709
Unallocated corporate assets			44,161
Consolidated total assets			877,870
Liabilities			
Segment liabilities	53,677	264,072	317,749
Convertible note			83,178
Promissory note			74,104
Deferred taxation			841
Unallocated corporate liabilities			7,652
Consolidated total liabilities			483,524

For the year ended 31 March 2016

	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*	39,367	11,891	11	51,269
Depreciation	12,225	6,449	5	18,679
Amortisation of prepaid lease payments	1,040	365	–	1,405
Loss on disposal of property, plant and equipment	214	337	–	551
Impairment loss recognised in respect of trade and other receivables	4,419	1,176	–	5,595
Reversal of impairment loss recognised in respect of trade and other receivables	(227)	(683)	–	(910)
Change in fair value of derivative financial instruments	–	–	(17)	(17)
Loss on disposal of a subsidiary	–	772	–	772
Change in fair value of investment property	–	490	–	490

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

Segment revenue and results

For the year ended 31 March 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*
Revenue				
External sales	214,040	1,566,269	–	1,780,309
Inter-segment sales	–	1,418	(1,418)	–
Total revenue	214,040	1,567,687	(1,418)	1,780,309

Inter-segment sales are charged at arm's length

	Provision of general hospital services *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
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

As at 31 March 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
Convertible note			5,432
Promissory note			72,712
Deferred taxation			357
Unallocated corporate liabilities			7,032
Consolidated total liabilities			493,493

For the year ended 31 March 2015

	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 property	–	252	–	252

* *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. Segment results represent the profit generated by each segment without allocation of finance costs, loss on disposal of a subsidiary 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 cash equivalents of the central administration companies.

- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, convertible note promissory 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 revenue 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	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**422**	415
PRC	**163,514**	141,902
	163,936	142,317

Information about major customers

For the years ended 31 March 2016 and 2015, no single customer contributed 10% or more to the Group's revenue.

Revenue from major services and products

The Group's revenue from its major services and products was stated in Note 5.

5. REVENUE AND OTHER REVENUE AND OTHER GAIN, NET

Revenue 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 revenue, other revenue and other gain, net were as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Retail of pharmaceutical and related products	**238,422**	220,762
Wholesale and distribution of pharmaceutical and related products	**1,083,341**	1,345,507
Provision of general hospital services	**252,844**	214,040
	1,574,607	1,780,309
Other revenue:		
Bank interest income	**342**	1,529
Loan interest income	**864**	2,610
Rental income	**2,289**	2,511
Exhibition income	**–**	1
Sundry income	**4,098**	2,851
	7,593	9,502
Other gain, net:		
Exchange gain	**2,688**	6
(Loss)/gain on disposal of property, plant and equipment	**(551)**	4
Change in fair value of derivative financial instruments	**17**	(100)
Reversal of impairment loss recognised in respect of trade and other receivables	**910**	818
Change in fair value of investment property	**(490)**	(252)
	2,574	476

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Directors' remuneration	**11,659**	4,210
Other staff's retirement benefits scheme contributions	**17,233**	12,185
Other staff costs	**132,011**	102,681
Other staff share-based payment expenses	**12,423**	–
	173,326	119,076
Auditors' remuneration		
– audit services	**1,636**	1,300
– non-audit services	**336**	–
Impairment loss recognised in respect of trade and other receivables	**5,595**	5,317
Cost of inventories sold	**1,240,496**	1,459,734
Amortisation of prepaid lease payments	**1,405**	1,257
Depreciation of property, plant and equipment		
– owned by the Group	**18,679**	14,678
Impairment loss on goodwill	**–**	785,169
Loss on disposal of a subsidiary	**772**	–
Operating lease rentals in respect of land and buildings	**43,739**	35,987

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings	**8,386**	8,819
– convertible notes	**8,886**	550
– promissory note	**2,192**	2,151
	19,464	11,520

8. 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 operated. Provision on assessable profits 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.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**5,387**	10,736
– Under-provision in prior year	**–**	122
Deferred tax:		
– Current year credit	**(1,445)**	(69)
	3,942	10,789

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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2016 and 2015. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2015: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

9. LOSS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share		
– Loss for the year attributable to the owners of the Company	**(43,372)**	(505,581)
Number of shares	**No. of shares**	No. of shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share		
– Ordinary shares in issue	**1,690,471**	1,186,354
– Preference shares in issue	**98,500**	573,693
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,788,971**	1,760,047

For the years ended 31 March 2016 and 2015, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Convertible Note and the Company's share options, since their exercise would result in an anti-dilutive effect on loss per share during the years ended 31 March 2016 and 2015.

10. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

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. Included in trade and other receivables and deposits are trade receivables of approximately HK$211,052,000 (2015: HK$297,403,000). The ageing analysis of trade receivables based on the invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**161,505**	218,913
91 to 180 days	**41,268**	51,122
181 to 365 days	**8,279**	18,212
Over 365 days	**7,280**	15,970
	218,332	304,217
Less: Impairment loss recognised in respect of trade receivables	**(7,280)**	(6,814)
	211,052	297,403

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$182,448,000 (2015: HK$189,619,000). The ageing analysis of trade payables is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**116,071**	123,096
91 to 180 days	**32,770**	25,230
181 to 365 days	**13,274**	14,510
Over 365 days	**20,333**	26,783
	182,448	189,619

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

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.

Revenue

The Group recorded revenue of approximately HK$1,574.607 million (2015: approximately HK$1,780.309 million) for the year ended 31 March 2016, a decrease of approximately 11.55% as compared with last year. The decrease was mainly attributable to the reduction in sales of pharmaceutical business. The gross profit margin of the Group was approximately 17.74%, (2015: approximately 15.60%), The increase was attributable to the growth in general hospital services among the operating segments.

General hospital services

During the year ended 31 March 2016, the Group operated three 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 with strategic partners. The revenue generated from general hospital services amounted to approximately HK$252.844 million (2015: approximately HK$214.040 million), representing a significant increase of approximately 18.13% 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 the Fujian Province, the PRC, through its subsidiary – Wanjia Group Holdings Limited (the "Wanjia Group"). The Group's pharmaceutical retail chain operation has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within the Fujian Province, as ranked by 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. Revenue generated from pharmaceutical wholesales, distribution and pharmaceutical retail chain business amounted to approximately HK$1,321.763 million (2015: approximately HK$1,566.269 million), representing a decrease of approximately 15.61% as compared with last year and accounted for approximately 83.94% of the Group's revenue for the year ended 31 March 2016. The decrease was mainly attributable to the reduction in sales to distributor customers due to the more stringent regulations as a result of the promulgation and implementation of the New GSP.

Other revenue

Other revenue, primarily including exhibition income, rental income, bank interest income, loan interest income and sundry income amounted to approximately HK$7.593 million (2015: approximately HK$9.502 million) for the year ended 31 March 2016, which remained at similar level as compared with last year.

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 2016, selling and distribution expenses amounted to approximately HK$152.022 million (2015: approximately HK$141.745 million), representing an increase of approximately 7.25% as compared with last year. The increase in selling and distribution expenses was due to the increase of salaries, promotional expenses and rental expenses during the year.

Administrative expenses

Administrative expenses for the year ended 31 March 2016 amounted to approximately HK$158.443 million (2015: approximately HK$120.667 million), representing an increase of approximately 31.31% as compared with last year. The increment was due to the increase of staff costs and other staff share-based payment expenses.

Finance costs

For the year ended 31 March 2016, the finance costs of the Group were approximately HK$19.464 million (2015: approximately HK$11.520 million), representing an increase of approximately 68.96% as compared with last year. The increase was mainly due to the increased average outstanding bank borrowings 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$43.372 million (2015: net loss attributable to the owners of the Company of approximately HK$505.581 million), representing a decrease in the loss attributable to owners of the Company as compared with last year. The decrease in loss was mainly attributable to no impairment loss on goodwill for the year ended 31 March 2016 recognised.

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 last-year.

English translations of official Chinese names are for identification purpose only

OUTLOOK AND FUTURE PROSPECTS

2016 is the inaugurated year for the implementation of China's "Thirteenth Five-Year Plan". In next 5 years, the Chinese Government will promulgate a series of measures to improve public medical health and increase investments to facilitate healthcare industry development, so as to achieve the "Healthy China" objective by 2020. With this environment, the management envisages the emerging development potential of private hospitals. The latest data from the National Health and Family Planning Commission of the People's Public of China has revealed that the number of private hospitals has surpassed public hospitals and in the aspects of specialized and high-end medical services, the former has comparatively better competitive advantages. In terms of medical payment, investments in commercial medical insurance are also increasing. The national insurance system has also raised its payments for public medical spending. In terms of man-time, the management notices that multi-locations practice by medical practitioners has entered into the implementation stage from policy level. Currently, at least thirty percent of the practitioners are practicing in private hospitals. We foresee that this percentage will continue to rise, provide continuous increase in the number of medical technical service staff for the development of private hospitals.

It is under this context that the management has full confidence about our future development. We will continue to improve the service standard and technology in existing hospitals and provide medical services that are required by local communities according to market demand. We realize that with the government's strengthening on the monitoring of medical market and the increasing requirements by the public for quality services, we must vigorously promote regulated operation, improve the governance standard in hospitals and highlight the differential operation philosophy and market strategy. At the same time, we are still seeking cooperation opportunities, which include hospital personnel training, distinguishing specialized services and advanced medical technology to name a few.

We are already fully prepared for the future market development. On the basis of strengthening hospital management, we will cut down operating costs, implement innovative brand marketing and promotion activities, adopt people-oriented principle and elevate the quality and branding of the Group's medical services. However, as the domestic economy is at its transitional stage currently, the supply structure reform will sure bring challenges to the healthcare industry. The management is soberly aware of this issue and is prepared for it. Hence, seeking and implementing suitable development opportunities will be one of the working focuses, and seizing opportunities, optimizing resources and striving for expansion are the recent directions that Hua Xia Healthcare is endeavored on.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$249.712 million as at 31 March 2016 (2015: approximately HK$88.793 million).

The Group recorded total current assets of approximately HK$713.934 million as at 31 March 2016 (2015: approximately HK$732.674 million) and total current liabilities of approximately HK$325.401 million as at 31 March 2016 (2015: approximately HK$414.992 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.194 as at 31 March 2016 (2015: approximately 1.766).

As at 31 March 2016, the Group's gearing ratio was not applicable based on outstanding debts (comprising bill payables, bank borrowings, convertible notes and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2015: approximately 58%).

CAPITAL COMMITMENTS

As at 31 March 2016 and 2015, the Group had no material capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2016 and 2015, 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.

FINANCING AND TREASURY POLICIES

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

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 2016, the Group had bank borrowings outstanding balances and bills payables of approximately HK$50.395 million and HK$16.308 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$6.096 million, HK$10.623 million and HK$7.199 million, respectively, were pledged as collateral to secure banking facilities granted to the Group.

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 4.

CAPITAL STRUCTURE

As at 31 March 2016, the total issued share capital of the Company was approximately HK$17.978 million (2015: approximately HK$17.601 million) divided into 1,699,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2015: 1,661,589,944 ordinary shares and 504,201,680 non-voting convertible preference shares) of HK$0.01 (2015: HK$0.01) each.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had 2,134 (2015: 1,936) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	17
PRC (including cities of Chongqing, Jiaxing, Zhuhai, Shanghai and the Fujian Province)	2,117

For the year ended 31 March 2016, staff costs (including directors emoluments) amounted to approximately HK$173.326 million (2015: approximately HK$119.076 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.

Wanjia Group

On 12 May 2015, Hui Hao (HK) Group Limited ("**Hui Hao (HK)**"), a wholly-owned subsidiary of the Wanjia Group, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd.# (福建省福州市惠好藥業有限公司) ("**Fuzhou Huihao**"), a wholly owned subsidiary of Hui Hao (HK) and Fuzhou Ren An Medical Technology Limited# (福州仁安醫藥科技有限公司) ("**Ren An**") 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. As a result, the equity interest of Hui Hao (HK) in Fuzhou Huihao was diluted from 100% to 75% and Fuzhou Huihao held as to 75% by Hui Hao (HK) and as to 25% by Ren An. Other than this, the Wanjia Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

On 14 May 2015, the Wanjia Group entered into the Placing Agreement with the Placing Agent pursuant to which the Wanjia Group has conditionally agreed to place, through the Placing Agent, on a best efforts basis, the 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 Conversion Share ("**the Placing**"). Based on the initial Conversion Price of HK$0.65 per Conversion Share, a total of 129,680,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full. The Placing was completed on 1 June 2015. Up to 31 March 2016, there was no Convertible Notes converted into the Conversion Shares.

As at 31 March 2016, the total issued share capital of the Wanjia Group was approximately HK$6.484 million representing 648,405,300 ordinary shares (2015: 648,405,300 ordinary shares).

English translations of official Chinese names are for identification purpose only

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

During the year ended 31 March 2016, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

Hua Xia Healthcare Holdings Limited (the "**Company**") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") (effective from 1 April 2012) as stated in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer", the Company has met all the code provisions in the CG Code during the year ended 31 March 2016.

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 2015 to 31 March 2016.

All directors have access to the advice and services of the company secretary with a view to ensuring that the Board procedures and all applicable rules and regulations are followed.

Minutes of the Board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any director.

All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

Audit Committee

The Company established the Audit Committee on 2 November 2001, with written terms of reference compliance with rules 5.28 and 5.29 of the GEM Listing Rules and is disclosed on the Company's website. The Audit Committee of the Company is comprised of 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 Audit Committee.

During the year ended 31 March 2016, four meetings were held. The main duties of the Audit Committee during the year include:

(a) Reviewing the Group's audited annual and unaudited interim and quarterly results and reports and consider any significant or unusual items before submission to the Board.

(b) Reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) Reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

(d) Advising on material even or drawing the attention of the management on related risks.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the reappointment of external auditors.

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. Written terms of reference were disclosed on the Company's website. The Nomination Committee is comprised of three independent non-executive directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen and the Chief Executive Officer Dr. Jiang Tao of the Board. On 20 April 2015, Dr. Jiang Tao is the Chairman of the Nomination Committee and Corporate Governance Committee.

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

The Nomination Committee held one meeting during the year 2016.

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.

During the year ended 31 March 2016, two meetings were held. Both meetings were held to consider and approve the increase of emoluments of an executive director.

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, 16 June 2016

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Yung Ka Chun, Mr. Zheng Gang and Dr. Huang Jiaqing 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 at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.