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 2017

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 GEM (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 2017 is as follows:

- Revenue was approximately HK$269.515 million (2016: approximately HK$252.844 million), representing an increase of approximately 6.59% as compared with last year. The increase in revenue was mainly attributable to the inclusion of the revenue derived from Beijing hospital through acquisition of Glowing Smart Investment Limited in the aggregate amount of approximately HK$30,660,000 since 30 September 2016.

- Gross profit was approximately HK$129.362 million (2016: approximately HK$133.252 million), with the gross profit margin maintained at a similar level as the year ended 31 March 2016.

- The operating loss from the continuing operation was approximately HK$26.67 million (2016: approximately HK$25.751 million). Net profit attributable to owners of the Company was approximately HK$10.208 million (2016: net loss of approximately HK$43.372 million), representing an increase in the profit attributable to owners of the Company as compared with last year.

- The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

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 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
			(restated)
Continuing operations			
Revenue	*5*	**269,515**	252,844
Cost of sales		**(140,153)**	(119,592)
Gross profit		**129,362**	133,252
Other revenue	*5*	**1,006**	2,593
Other loss and gain, net	*5*	**(233)**	44
Selling and distribution expenses		**(49,956)**	(51,556)
Administrative expenses		**(74,329)**	(110,084)
Impairment loss on goodwill		**(29,490)**	–
Loss on early redemption of promissory note		**(3,030)**	–
Loss from operations	*6*	**(26,670)**	(25,751)
Finance costs	*7*	**(3,115)**	(3,099)
Loss before taxation		**(29,785)**	(28,850)
Taxation	*8*	**(3,577)**	(2,784)
Loss for the year from continuing operations		**(33,362)**	(31,634)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	*14*	**39,809**	(13,462)
Profit/(loss) for the year		**6,447**	(45,096)

	Note	2017	2016
		HK$'000	*HK$'000*
			(restated)
Profit/(loss) for the year attributable to:			
Owners of the Company		**10,208**	(43,372)
Non-controlling interests		**(3,761)**	(1,724)
Profit/(loss) for the year		**6,447**	(45,096)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**(754)**	–
Exchange differences on translating foreign operations		**(29,603)**	(26,457)
Release of exchange difference upon disposal of subsidiaries		**9,731**	–
Other comprehensive loss for the year, net of tax		**(20,626)**	(26,457)
Total comprehensive loss for the year		**(14,179)**	(71,553)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**1,679**	(63,278)
Non-controlling interests		**(15,858)**	(8,275)
		(14,179)	(71,553)
Earnings/(loss) per share attributable to owners of the Company			
Form continuing and discontinued operations			
–Basic and diluted (HK cents per share)	*9*	**0.49**	(2.57)
From continuing operations			
– Basic and diluted (HK cents per share)	*9*	**(1.82)**	(1.48)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**74,576**	91,772
Prepaid lease payments		**21,195**	34,897
Investment property		**–**	7,199
Available-for-sale financial asset		**7,158**	–
Goodwill		**147,086**	30,068
		250,015	163,936
Current assets			
Inventories		**8,931**	118,574
Trade and other receivables and deposits	*12*	**41,431**	339,251
Derivative financial instruments		**–**	301
Pledged bank deposits		**–**	6,096
Cash and cash equivalents		**81,963**	249,712
		132,325	713,934
Total assets		**382,340**	877,870
EQUITY			
Capital and reserves			
Share capital		**24,568**	17,978
Reserves		**219,045**	163,987
Equity attributable to owners of the Company		**243,613**	181,965
Non-controlling interests		**44,282**	212,381
Total equity		**287,895**	394,346

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**38,806**	271,771
Bank borrowings		**13,081**	50,395
Amounts due to non-controlling shareholders		**936**	662
Tax payables		**1,967**	2,573
Convertible note		**6,444**	–
		61,234	325,401
Non-current liabilities			
Convertible note		**–**	83,178
Promissory note		**33,021**	74,104
Deferred tax liabilities		**190**	841
		33,211	158,123
Total liabilities		**94,445**	483,524
Total equity and liabilities		**382,340**	877,870
Net current assets		**71,091**	388,533
Total assets less current liabilities		**321,106**	552,469

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 GEM. The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK$ as the shares of the Company are listed on GEM. 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 in the People's Republic of China (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 amended HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 16 and HKAS 41	Agriculture: Bear Plants

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Insurance Contract[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers on Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[6]

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

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2017.*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

[6] *Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.*

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 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 disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of consolidation financial statement in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in areas where assumption and estimates are significant to the 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 available-for-sale financial asset) 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 is principally engaged in provision of general hospital services in the PRC. In addition, the Wanjia Group Holdings Limited ("Wanjia Group"), which is engaged in pharmaceutical wholesale, distribution and pharmaceutical retail chain business in PRC, is considered as an operating segment and is presented as discontinued operation of the Group upon completion of the distribution in specie on 2 March 2017.

Segment revenue and results

For the year ended 31 March 2017

	Continuing operations	Discontinued operation	
	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	**269,515**	**938,031**	**1,207,546**
Results			
Segment results	**22,932**	**(3,759)**	**19,173**
Loss on early redemption of promissory note			**(3,030)**
Impairment loss on goodwill			**(29,490)**
Loss on disposal of a subsidiary			**(326)**
Gain on distribution in specie			**62,586**
Unallocated other revenue and income			**1,175**
Unallocated corporate expenses			**(22,880)**
Profit from operations			**27,208**
Finance costs			**(15,899)**
Profit before taxation			**11,309**
Taxation			**(4,862)**
Profit for the year			**6,447**

Segment assets and liabilities

As at 31 March 2017

	Continuing operations	
	Provision of general hospital services *HK$'000*	Total *HK$'000*
Consolidated statement of financial position		
Assets		
Segment assets	367,874	367,874
Unallocated corporate assets		14,466
Consolidated total assets		382,340
Liabilities		
Segment liabilities	50,650	50,650
Convertible note		6,444
Promissory note		33,021
Deferred tax liabilities		190
Unallocated corporate liabilities		4,140
Consolidated total liabilities		94,445

Other segment information

For the year ended 31 March 2017

	Continuing operations		Discontinued operation	
	Provision of general hospital services *HK$'000*	Unallocated *HK$'000*	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business *HK$'000*	Total *HK$'000*
Other information				
Capital expenditure*	4,852	–	5,614	10,466
Depreciation	8,773	6,839	5,426	21,038
Amortisation of prepaid lease payments	979	–	344	1,323
(Gain)/loss on disposal of property, plant and equipment	(1)	–	387	386
Impairment loss recognised in respect of trade and other receivables	305	–	–	305
Reversal of impairment loss recognised in respect of trade and other receivables	(113)	–	–	(113)
Change in fair value of derivative financial instruments	301	–	–	301
Loss on disposal of subsidiaries	–	–	326	326
Gain on distribution in specie	–	–	(62,586)	(62,586)

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

Segment revenue and results

For the year ended 31 March 2016

	Continuing operations	Discontinued operation	
	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	252,844	1,321,763	1,574,607
Inter-segment sales	–	–	–
Total revenue	252,844	1,321,763	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

	Continuing operations	Discontinued operation	
	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 notes			83,178
Promissory note			74,104
Deferred tax liabilities			841
Unallocated corporate liabilities			7,652
Consolidated total liabilities			483,524

Other segment information

For the year ended 31 March 2016

	Continuing operations	Discontinued operation		
	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 payment.*

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit generated by each segment without allocation of finance costs, loss on early redemption of promissory note, impairment loss on goodwill, loss on disposal of subsidiaries, gain on distribution in specie, 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 tax liabilities. 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 (other than available-for-sale financial assets) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**7,573**	422
PRC	**235,284**	163,514
	242,857	163,936

Information about major customers

For the years ended 31 March 2017 and 2016, 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 LOSS AND GAIN, NET

Revenue represents the aggregate of the net invoiced value received and receivable from third parties in connection with 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 loss and gain, net were as follows:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Revenue:		
Continuing operations		
Provision of general hospital services	**269,515**	252,844
Other revenue:		
Continuing operations		
Bank interest income	**192**	122
Loan interest income	**198**	864
Sundry income	**616**	1,607
	1,006	2,593
Other loss and gain, net:		
Continuing operations		
Exchange (loss)/gain	**(46)**	14
Gain/(loss) on disposal of property, plant and equipment	**1**	(214)
Change in fair value of derivative financial instruments	**(301)**	17
Reversal of impairment loss recognised in respect of trade and other receivables	**113**	227
	(233)	44

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Directors' remuneration	**6,380**	11,659
Other staff's retirement benefits scheme contributions	**8,053**	8,508
Other staff costs	**62,748**	66,811
Other staff share-based payment expenses	**2,938**	12,423
	80,119	99,401
Auditors' remuneration		
– audit services	**450**	649
– non-audit services	**600**	336
Loss on early redemption of promissory note	**3,030**	–
Impairment loss on goodwill	**29,490**	–
Impairment loss recognised in respect of trade and other receivables	**305**	4,419
Cost of inventories sold	**68,449**	64,861
Amortisation of prepaid lease payments	**979**	1,040
Depreciation of property, plant and equipment		
– owned by the Group	**15,612**	12,230
Operating lease rentals in respect of land and buildings	**14,491**	14,130

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest on:		
– bank borrowings	**1,068**	298
– convertible note	**663**	609
– promissory note	**1,384**	2,192
	3,115	3,099

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.

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Current tax:		
– PRC Enterprise Income Tax	**4,106**	2,863
– Under-provision in prior year	**–**	–
Deferred tax:		
– Current year credit	**(529)**	(79)
	3,577	2,784

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 2017 and 2016. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2016: 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. EARNINGS/(LOSS) PER SHARE

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

(a) Basic

From continuing and discontinued operations

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) for the year attributable to owners of the Company	**10,208**	(43,372)
Weighted average number of ordinary shares in issue	**2,075,214**	1,690,471

From continuing operations

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to owners of the Company	**10,208**	(43,372)
Less:		
Loss for the year from discontinued operation	**(48,063)**	18,372
Loss for the year from continuing operations	**(37,855)**	(25,000)
Weighted average number of ordinary shares in issue	**2,075,214**	1,690,471

From discontinued operation

Basic and diluted loss per share from discontinued operations is HK2.32 cents (2016: loss HK1.09 cents), based on the profit for the year from discontinued operation attributable to owners of the Company of approximately HK$48,063,000 (2016: loss of HK$18,372,000).

(b) Diluted

For the years ended 31 March 2017 and 2016, diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as the computation of diluted earnings/(loss) per share does not assume the exercise of the convertible note and the Company's share options, since their conversion and exercise would result in an anti-dilutive effect on earnings/(loss) per share during the years ended 31 March 2017 and 2016.

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Special dividend	**165,094**	–

Note: On 9 November 2016, the Board has approved a special dividend in the form of a distribution in specie of up to 393,080,000 shares of Wanjia Group ("Wanjia Shares"), held by the Company to the shareholders. The distribution was made by way of allocating 4 Wanjia Shares for every 25 shares held by the Company's shareholders (the "Distribution"). Upon completion of the Distribution, the Company will retain not less than 18,837,648 Wanjia Shares, representing approximately 2.91% of the entire issued share capital of Wanjia Group and the Wanjia Group ceased to be subsidiaries of the Company. The distribution in specie by the Company was recognised at the market price of the share of Wanjia Group at the date of completion of the distribution.

11. DISPOSAL OF SUBSIDIARIES

Disposal of Wanjia Group

On 9 November 2016, the board of the Company approved a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares, held by the Company to the shareholders. Please refer to note 10 for details. Upon completion of the Distribution, Wanjia Group ceased to be subsidiaries of the Company and accounted as available-for-sales financial asset of the Company. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Distribution was completed on 2 March 2017.

Summary of the effects of the disposal of Wanjia Group are as follows:

	2017
	HK$'000
Property, plant and equipment	**15,315**
Prepaid lease payments	**10,689**
Investment property	**6,776**
Goodwill	**322**
Inventories	**91,936**
Trade and other receivables and deposits	**338,522**
Cash and cash equivalents	**93,334**
Trade and other payables	**(171,405)**
Bank borrowings	**(59,200)**
Convertible note	**(82,606)**
Tax payables	**(1,642)**
Deferred tax liabilities	**(122)**
Net assets disposed of	**241,919**
Gain on disposal of subsidiaries	
Fair value of the Distribution	**165,094**
Less: Net assets disposal of	**(241,919)**
Add: Non-controlling interest derecognised on completion of the Distribution	**139,973**
	(101,946)
Release of exchange difference upon disposal of the Wanjia Group	**(7,974)**
Initial recognition of available-for-sales financial asset	**7,912**
Legal and professional fee directly attributable to the Distribution	**(500)**
Gain on disposal of subsidiaries	**62,586**

12. 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$14,792,000 (2016: HK$211,052,000). The ageing analysis of trade receivables based on the invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**12,621**	161,505
91 to 180 days	**1,487**	41,268
181 to 365 days	**684**	8,279
Over 365 days	**1,942**	7,280
	16,734	218,332
Less: Impairment loss recognised in respect of trade receivables	**(1,942)**	(7,280)
	14,792	211,052

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$17,885,000 (2016: HK$182,448,000). The ageing analysis of trade payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**9,003**	116,071
91 to 180 days	**1,938**	32,770
181 to 365 days	**2,052**	13,274
Over 365 days	**4,892**	20,333
	17,885	182,448

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

14. DISCONTINUED OPERATION

On 10 November 2016, the Board of the Company approved a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares, held by the Company to the shareholders. Please refer to note 10 for details. Upon completion of the Distribution, Wanjia Group will cease to be subsidiaries of the Company. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Distribution was completed on 2 March 2017.

The profit/(loss) for the year from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the pharmaceutical wholesales, distribution and pharmaceutical retail chain business as a discontinued operation.

Profit/(loss) for the year from the discontinued operation was as follows:

For the period ended 2 March 2017

	From 1/4/2016 to 2/3/2017	2016
	HK$'000	*HK$'000*
Loss for the period	**(22,777)**	(13,462)
Gain on disposal of subsidiaries	**62,586**	–
Profit/(loss) from discontinued operation	**39,809**	(13,462)

Analysis of the results of the discontinued operation are set out below:

For the period ended 2 March 2017

	From 1/4/2016 to 2/3/2017	2016
	HK$'000	*HK$'000*
Revenue	**938,031**	1,321,763
Cost of sales	**(820,134)**	(1,175,635)
Gross profit	**117,897**	146,128
Other revenue	**2,073**	5,000
Other (loss)/gain, net	**–**	2,530
Loss on disposal of a subsidiary	**(326)**	(772)
Selling and distribution expenses	**(88,236)**	(100,466)
Administrative expenses	**(40,116)**	(48,359)
(Loss)/profit from operations	**(8,708)**	4,061
Finance costs	**(12,784)**	(16,365)
Loss before taxation	**(21,492)**	(12,304)
Taxation	**(1,285)**	(1,158)
Loss for the period	**(22,777)**	(13,462)
Gain on disposal of subsidiaries	**62,586**	–
Profit/(loss) from discontinued operation	**39,809**	(13,462)
Profit/(loss) for the period attributable to:		
Owners of the Company	**48,063**	(18,372)
Non-controlling interest	**(8,254)**	4,910
	39,809	(13,462)
Earnings/(loss) per share attributable to owners of the Company		
From discontinued operation		
– Basic and diluted (HK cents per share)	**2.32**	(1.09)

BUSINESS REVIEW

The Group is principally engaged in the provision of general hospital services in the PRC.

Revenue

The Group recorded revenue of approximately HK$269.515 million (2016: approximately HK$252.844 million) for the year ended 31 March 2017, an increase of approximately 6.59% as compared with last year. The increase in revenue was mainly attributable to the inclusion of the revenue derived from Beijing hospital through acquisition of Glowing Smart Investment Limited in the aggregate amount of approximately HK$30,660,000 since 30 September 2016.

General hospital services

During the year ended 31 March 2017, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai, and Beijing respectively in the PRC, 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.

Discontinued operation – Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

On 2 March 2017, the Group completed the disposal of its non wholly-owned subsidiaries, Wanjia Group Holdings Limited and its subsidiaries (the "**Disposal Group**").

The Group is no longer participated in pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC upon the completion date of distribution. As a result, the gain or loss from pharmaceutical wholesale, distribution and pharmaceutical retail chain business engaged by the disposal group have been classified as discontinued operation. During the year, revenue generated from discontinued operation was amounted to approximately HK$938.031 million.

Other revenue

Other revenue, primarily including rental income, bank interest income, loan interest income and sundry income amounted to approximately HK$1.006 million (2016: approximately HK$2.593 million) for the year ended 31 March 2017.

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 2017, selling and distribution expenses amounted to approximately HK$49.956 million (2016: approximately HK$51.556 million), representing a decrease of approximately 3.10% as compared with last year. The decrease in selling and distribution expenses was due to the decrease of promotional expenses and rental expenses during the year.

Administrative expenses

Administrative expenses for the year ended 31 March 2017 amounted to approximately HK$74.329 million (2016: approximately HK$110.084 million), representing a decrease of approximately 33.04% as compared with last year. It was due to the decrease of staff costs and other staff share-based payment expenses.

Finance costs

For the year ended 31 March 2017, the finance costs of the Group were approximately HK$3.115 million (2016: approximately HK$3.099 million), which maintained at a similar level as 2016.

Loss from continuing operations attributable to owners of the Company

The Group recorded a net loss from the continuing operation before taxation was approximately HK$29.785 million (2016: approximately HK$28.850 million), representing an increase as compared with last year. The increase in loss was mainly attributable to impairment loss on goodwill of approximately HK$29.49 million recognised for the year ended 31 March 2017.

Dividends

On 9 November 2016, the Company announced the Board's approval of a special dividend in the form of a distribution in specie (the "**Distribution**") of up to 393,080,000 shares ("**Wanjia Shares**") of Wanjia Group Holdings Limited ("**Wanjia**", together with its subsidiaries, the "**Wanjia Group**") held by the Company to the shareholder(s) whose names appear on the register of members of the Company, other than the excluded shareholders, in proportion to their respective shareholdings in the Company on 22 February 2017 (the "**Record Date**") on the basis of four (4) Wanjia Shares for every 25 shares or convertible preference shares of the Company held on the Record Date, if the Distribution becomes unconditional.

Completion of the Distribution took place on 2 March 2017. Following the completion of the Distribution, the Wanjia Group ceased to be subsidiaries of the Company and Wanjia will be accounted as an investment of the Company. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

For more details of the Distribution, please refer to the announcements of the Company dated 9 November 2016, 27 January 2017 and 2 March 2017 respectively, and the circular of the Company dated 27 January 2017.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2017 (2016: Nil).

OUTLOOK AND FUTURE PROSPECTS

The healthcare market has continued to expand in China and the number of private hospitals has increased. At the same time, the State Council has issued a number of important polies in support of the private investment in the diversified healthcare services. Specific medical services have been outlined to guide the further investment and development of social capitals, including individualized chronical disease management, general medicine and more. More importantly, we have seen that procedures and restrictions for the healthcare investment have been further eased off to lower down the entry barriers to developing innovative medical care and services in China which have been long considered the exclusion for the private enterprises. As 2020 is approaching, the needs to fulfill the promises of the accessible quality healthcare to the citizens of the country dictate the rapid and concrete actions by the both government and the industry, thus creating more opportunities for the Company.

The management has full confidence about our future development of taking the advantages of the present market trends and increasing financial support. 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 realise 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, distinguished specialised services and advanced medical technology.

While the management continues to improve the services and revenue from the existing hospitals, we have actively explored the specific medical services to address the great needs of the market in combination with the cooperation with the leading healthcare training and research institutions in the world. Chronical disease treatment and management have become a priority because of the size of the market and high demand for quality technologies and services. The management has already planned to get involved in this area and the preliminary results have confirmed the value and potentials of further development. We believe 2017 will see to the fruition of the efforts in this direction.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$81.963 million as at 31 March 2017 (2016: approximately HK$249.712 million).

The Group recorded total current assets of approximately HK$132.325 million as at 31 March 2017 (2016: approximately HK$713.934 million) and total current liabilities of approximately HK$61.234 million as at 31 March 2017 (2016: approximately HK$325.401 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.161 as at 31 March 2017 (2016: approximately 2.194).

As at 31 March 2017, the Group's gearing ratio was not applicable based on outstanding debts (comprising bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2016: N/A).

CAPITAL COMMITMENTS

As at 31 March 2017 and 2016, the Group had no material capital commitment.

For more details of subsequent capital commitment of the Group, please refer to the paragraph headed "Significant events after the reporting period" below.

CONTINGENT LIABILITIES

As at 31 March 2017 and 2016, 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 2017, the Group had bank borrowings of approximately HK$13.081 million which were secured by certain prepaid lease payment with carrying amount of approximately HK$22.152 million. As at 31 March 2016, the Group's pledged bank deposits prepaid lease payment and investment properties with carrying amount of approximately HK$6.096 million, HK$10.623 million and HK$7.199 million, respectively for securing the banking facilities.

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 2017, the total issued share capital of the Company was approximately HK$24.567 million (2016: approximately HK$17.978 million) divided into 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2016: 1,699,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 (2016: HK$0.01) each.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 870 (2016: 2,134) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	19
PRC (including cities of Chongqing, Jiaxing, Zhuhai, Shanghai, Beijing and the Fujian Province)	851

For the year ended 31 March 2017, staff costs (including directors emoluments) amounted to approximately HK$80.119 million (2016: approximately HK$99.401 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. As at 31 March 2017, there were 65,090,000 (2016: 66,591,991) outstanding share options granted under the share option schemes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group

Acquisition of Glowing Smart

On 14 September 2016, Best Winna Investment Holding Limited ("**Best Winna**"), as purchaser, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "**Glowing Smart Acquisition Agreement**") with Kingfull Corporate Development Limited ("**Kingfull**"), as vendor, and Mr. Lin Jinzong ("**Mr. Lin**"), as vendor guarantor, in relation to the acquisition (the "**Glowing Smart Acquisition**") the entire issued share capital of Glowing Smart Investment Limited ("**Glowing Smart**") and the shareholder's loan at a consideration of HK$149,501,540, which was settled by a combination of cash in the amount of approximately HK$47,102,000, and 320,000,000 consideration shares allotted and issued by the Company at the issue price of HK$0.37 per consideration share base on the market price at completion date. The acquisition was completed on 30 September 2016 (the "**Completion Date**").

Pursuant to the Glowing Smart Acquisition Agreement, Kingfull and Mr. Lin irrevocably warrant and guarantee to Best Winna that the audited net profit after tax and extraordinary or exceptional items but before minority interests of Beijing Tongji Andrology Hospital Co., Limited#（北京同濟醫院有限公司）, the target hospital, for the twelve-month period since the Completion Date shall be not less than HK$12,000,000. As security for the performance of the obligations of Kingfull under the profit guarantee, Kingfull shall deposit all the share certificate(s) of the 320,000,000 consideration shares in escrow with the Company on behalf of Kingfull in accordance with the terms and conditions of the escrow agreement on the Completion Date.

Disposal of Wanjia

On 9 November 2016, the Company announced the Board's approval of a special dividend in the form of a Distribution of up to 393,080,000 Wanjia Shares held by the Company. The Distribution was completed on 2 March 2017. For more details of the Distribution, please refer to the paragraph headed "Dividends" above.

Wanjia Group

Disposal of Nanping Huihao

On 21 February 2017, Fuzhou Huihao, as vendor, entered into the sale and purchase agreement with Fujian Lungchang Medical Services Company Limited# (福建隆昌醫藥服務有限公司), as purchaser, in relation to the disposal of 60% of the equity interest in Hui Hao Pharmaceutical (Nanping) Company Limited# ("**Nanping Huihao**", 惠好醫藥(南平)有限公司) at a consideration of RMB8,378,000 (equivalent to approximately HK$9,689,000). The disposal was completed on 21 February 2017.

Save as disclosed, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On 21 July 2016, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent of up to 339,000,000 placing shares at a price of HK$0.31 per placing share. Completion of the placing took place on 10 August 2016, and 339,000,000 placing shares were allotted and issued to not less than six placees at the placing price of HK$0.31 per placing share pursuant to the terms and conditions of the placing agreement. For more details of the placing, please refer to the announcements of the Company dated 21 July 2016, 22 July 2016 and 10 August 2016 respectively.

The net proceeds of approximately HK$102 million from the placing has been fully utilised in accordance with its intended use, where (1) HK$14 million was used for the payment of the refundable deposit contemplated under the non-legally binding memorandum of understanding dated 8 July 2016 in relation to the possible acquisition of the entire issued share capital of Glowing Smart; (2) approximately HK$31 million was used for the payment of part of the consideration for the Glowing Smart Acquisition; (3) HK$45 million was used for the early redemption of part of the outstanding promissory note issued by the Company on 8 March 2010; and (4) approximately HK$12 million was utilised for general working capital of the Group.

For more details of the Glowing Smart Acquisition, please refer to the announcements of the Company dated 14 September 2016 and 30 September 2016 respectively.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 27 April 2017, Sino Business Investment Development Limited ("**Sino Business**"), as purchaser, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "**Future Health Acquisition Agreement**") with Vanhal Property Investment Limited ("**Vanhal**"), as vendor, a company wholly-owned by Mr. Yung Kwok Leong, the father of Mr. Yung Ka Chun, an executive Director, in relation to the acquisition of the entire issued share capital of Future Health Investments (Scotland) Ltd ("**Future Health**") and the shareholder's loan at the consideration of HK$2,091,500.

On 4 November 2016 (the "**Commencement Date**"), the University Court of the University of Edinburgh (the "**University**"), Future Health and Mr. Yung Kwok Leong entered into the funding agreement (the "**Funding Agreement**"), pursuant to which Future Health agreed to provide funding up to GBP1,178,000 (equivalent to approximately HK$11,780,000) to the University for the establishment and operation of the University of Edinburgh-Hua Xia Healthcare Institute for Medical Research, Education and Management (the "**Institute**"). As at the date of this announcement, Future Health has contributed GBP208,000 (equivalent to approximately HK$2,080,000) to the University for the establishment of the Institute, and GBP970,000 (equivalent to approximately HK$9,700,000) (the "**Outstanding Fund Commitment**") remained outstanding.

Pursuant to the Future Health Acquisition Agreement, Sino Business unconditionally and irrevocably undertakes to Vanhal that upon completion of the acquisition, it shall provide sufficient fund to Future Health to satisfy the Outstanding Fund Commitment in accordance with the Funding Agreement. The Outstanding Fund Commitment shall be satisfied by Future Health to the University by bank transfer in the following manner:

(a) GBP198,000 (equivalent to approximately HK$1,980,000) shall be paid four (4) months after the Commencement Date (or the business day immediately following that date);

(b) GBP386,000 (equivalent to approximately HK$3,860,000) shall be paid on the first anniversary of the Commencement Date (or the business day immediately following that date); and

(c) GBP386,000 (equivalent to approximately HK$3,860,000) shall be paid on the second anniversary of the Commencement Date (or the business day immediately following that date).

For more details, please refer to the announcement of the Company dated 27 April 2017.

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

During the year ended 31 March 2017, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

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 GEM Listing Rules.

The Company has complied with the code provisions in the CG Code contained in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2017, save for the deviation from code provision E.1.3 of the CG Code which stipulates that the Company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. The Company's notice for the 2015 annual general meeting (the "**2015 AGM**") was despatched on 23 July 2015, and the 2015 AGM was held on 17 August 2015, which deviated from code provision E.1.3 of the CG Code. The Board was not aware of the deviation and failed to report the same in the subsequent first quarterly, interim, third quarterly and annual results announcements, and first quarterly, interim, third quarterly and annual reports for the period from 1 April 2015 to 31 March 2016. As a result, the Company was not in compliance with Rule 17.101 of the GEM Listing Rules. The deviation was only an isolated event, and the Company had adopted preventive measures to ensure future compliance with the CG Code.

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 2016 to 31 March 2017.

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 of the Company (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 comprised of four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

During the year ended 31 March 2017, 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.

The Group's audited consolidated financial results for the year ended 31 March 2017 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

Nomination and Corporate Governance Committee

On 11 February 2014, the Board resolved to establish a nomination and corporate governance committee of the Company (the "**Nomination and Corporate Governance Committee**") in place and stead of the previously nomination committee of the Company, 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 and Corporate Governance Committee has five members comprising the chief executive officer, Dr. Jiang Tao and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Dr. Jiang Tao is the chairman of the Nomination Committee and Corporate Governance Committee.

The main responsibilities of the Nomination and Corporate Governance 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.

During the year ended 31 March 2017, three meetings were held.

Remuneration Committee

The Company established the remuneration committee of the Company (the "**Remuneration Committee**") on 3 June 2005 with written terms of reference as disclosed on the Company's website. The Remuneration Committee has five members comprising an executive Director, Mr. Zheng Gang and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. 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 2017, three meetings were held.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, business partners for their support. Also, I would like to offer my highest gratitude to our shareholders for their devotion and to our employees 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 2017

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