THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hua Xia Healthcare Holdings Limited**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

Solar Star Global Limited
星陽環球有限公司
(incorporated in the British Virgin Islands with limited liability)

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)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE MANDATORY CONDITIONAL CASH OFFERS BY

KINGSTON SECURITIES

ON BEHALF OF SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror

KINGSTON CORPORATE FINANCE

Independent Financial Adviser to the Independent Board Committee

Nuada Limited

A letter from Kingston Securities containing, amongst others, details of the terms and conditions of the Offers is set out on pages 8 to 19 of this Composite Document. A letter from the Board is set out on pages 20 to 27 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers is set out on pages 28 to 29 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation in respect of the Offers is set out on pages 30 to 53 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

Acceptances of the Offers should be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) by no later than 4:00 p.m. on Tuesday, 3 July 2018 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons (including, without limitation, custodians, nominees and trustees) who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "9. OVERSEAS SHAREHOLDERS" of Appendix I to this Composite Document, before taking any action. It is the responsibility of each Overseas Shareholders wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements. Each Overseas Shareholders is advised to seek professional advice on deciding whether or not to accept the Share Offer.

This Composite Document will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication and on websites of the Stock Exchange at www.hkexnews.hk and the Company at www.huaxia-healthcare.com as long as the Offers remain open.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

5 June 2018

* *for identification purposes only*

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

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

CONTENTS

The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All the time and dates references contained in this Composite Document refer to Hong Kong time and dates.

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement of the Offers *(Note 1)*	Tuesday, 5 June 2018
Latest time and date for acceptance of the Offers on the Offer Closing Date *(Note 2)*	by 4:00 p.m. on Tuesday, 3 July 2018
Offer Closing Date *(Note 2)*	Tuesday, 3 July 2018
Announcement of the results of the Offers on the websites of the Stock Exchange and the Company *(Note 2)*	by 7:00 p.m. on Tuesday, 3 July 2018
Latest date of posting of remittances in respect of valid acceptances received under the Offers by the Offer Closing Date (assuming the Offers become or are declared unconditional on such date) (*Note 3*)	Thursday, 12 July 2018
Latest time and date for the Offers to remain open for acceptance (assuming the Offers become or are declared unconditional on the Offer Closing Date) *(Note 4)*	by 4:00 p.m. on Tuesday, 17 July 2018
Final Offer Closing Date (if the Offers become or are declared unconditional on the Offer Closing Date)	Tuesday, 17 July 2018
Announcement of the results of the Offers as at the final Offer Closing Date (assuming the Offers become or are declared unconditional on the Offer Closing Date) on the websites of the Stock Exchange and the Company	by 7:00 p.m. on Tuesday, 17 July 2018

Latest date of posting of remittances in respect of valid acceptances received under the Offers on or by 4:00 p.m. on Tuesday, 17 July 2018, being the latest date on which the Offers remain open for acceptances assuming the Offers become or are declared unconditional in all respects on the Offer Closing Date (*Notes 3 and 4*)	Thursday, 26 July 2018
Latest time and date by which the Offers can be declared unconditional as to acceptances (*Note 5*)	by 7:00 p.m. on Monday, 6 August 2018

Notes:

(1) The Offers, which are conditional, are made on Tuesday, 5 June 2018, the date of this Composite Document, and are capable of acceptance on and from that date until the Offer Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "7. Right of Withdrawal" in Appendix I to this Composite Document.

(2) In accordance with the Takeovers Code, the Offers must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed at 4:00 p.m. on the Offer Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Offer Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired. In the event that the Offeror decides that the Offers will remain open, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offers are closed, to those Independent Shareholders and Optionholders who have not accepted the Offers.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

An acceptor of the Offers shall be entitled to withdraw his acceptance after 21 days from the Offer Closing Date if the Offers have not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offers become or are declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

The latest time and date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances. Instead the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

(3) Remittances in respect of the cash consideration for the Offer Shares (after deducting the seller's ad valorem stamp duty) or the Options tendered under the Offers will be despatched to the accepting Independent Shareholder(s) (to the address specified on the **WHITE** Form of Share Offer Acceptance) or Optionholder(s) (to the address specified on the **PINK** Form of Option Offer Acceptance) as soon as possible, but in any event within seven Business Days following (i) the date on which the duly completed acceptance of the Offers and the relevant documents of title of the Shares or the Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render each of such acceptance of any of the Share Offer and the Option Offer complete and valid or (ii) the date on which the Offers become or are declared unconditional in all respects, whichever is the later. Remittances in respect of acceptance of the Offers will be despatched to the accepting Independent Shareholders/the Optionholders by ordinary post at their own risk.

(4) In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respect, the Offers should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offers are closed to the Independent Shareholders and Optionholders who have not accepted the Offers. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive. The Offeror will issue an announcement in relation to any extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional, that the Offers will remain open until further notice. The Option Offer is conditional upon Share Offer becoming or being declared unconditional in all respect and will remain open for as long as the Share Offer remains open for acceptance.

(5) In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional in all respects after 7:00 p.m. on Saturday, 4 August 2018, being the 60th day after the day on which this Composite Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Monday, 6 August 2018, unless extended with the consent of the Executive.

Save as mentioned above, if the latest time for the acceptance of the Offers and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders and the Optionholders by way of announcement(s) on any changes to the expected timetable as soon as practicable.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisitions"	the acquisition of an aggregate of 553,491,516 Shares under the Share Transfer and the Share Sale
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for transaction of business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Company"	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8143)
"Completion"	the completion of the Acquisitions
"Composite Document"	this composite offer and response document dated 5 June 2018 jointly issued by and on behalf of the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code in respect of the Offers containing, amongst others, the terms and conditions of the Offers, the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance, the letter of advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, and the letter of advice of the Independent Board Committee to the Independent Shareholders and Optionholders as to whether the terms of the Offers are fair and reasonable and as to acceptance

"Convertible Preference Shares"	the non-redeemable convertible preference shares of the Company approved to be issued in the extraordinary general meeting of the Company held on 3 March 2010, the holders of which (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company
"Deed of Settlement"	the deed of settlement dated 24 April 2018 entered into between Golden Prince and Easeglory in relation to, amongst others, the Share Transfer
"Director(s)"	the director(s) of the Company
"Easeglory"	Easeglory Holdings Limited, a company incorporated in the BVI with limited liability which is owned as to 100% by Mr. Yung as at the Latest Practicable Date
"Easeglory Loan"	the outstanding loan amount of HK$78,737,939.19 (inclusive of interest accrued) indebted to Golden Prince by Easeglory as at the date of the Deed of Settlement
"Encumbrances"	any mortgage, charge, pledge, lien, hypothecation, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease back arrangement or similar encumbrance(s) over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director, as defined in the Takeovers Code

"Facilities"	a loan facility granted by Kingston Securities as lender to the Offeror as borrower in accordance with the terms of the Loan Facility Agreement for financing the Offers
"Forms of Acceptance"	the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance (accompanying this Composite Document), and "Form of Acceptance" means either of them
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Golden Prince"	Golden Prince Group Limited, a company incorporated in the BVI with limited liability which is owned as to 100% by Mr. Ng Leung Ho as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Board comprising the non-executive Directors who have no direct or indirect interest in the Offers, established for the purpose of advising the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to acceptance
"Independent Financial Adviser" or "Nuada Limited"	Nuada Limited, a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee in relation to the terms of the Offers and in particular (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers

"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it
"Joint Announcement"	the announcement dated 27 April 2018 jointly issued by the Company and the Offeror, in relation to, amongst others, the Acquisitions and the Offers
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, being the financial adviser of the Offeror in respect of the Offers and a licensed corporation under the SFO, licensed to carry on Type 6 (advising on corporate finance) regulated activity
"Kingston Securities"	Kingston Securities Limited, being the agent making the Offers on behalf of the Offeror, a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities) regulated activity
"Last Trading Day"	24 April 2018, being the last trading day prior to the publication of the Joint Announcement
"Latest Practicable Date"	1 June 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Loan Facility Agreement"	the loan facility agreement entered into between Kingston Securities as lender and the Offeror as borrower dated 24 April 2018 in relation to the Facilities
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Mr. Ng"	Mr. Ng Chi Lung, the sole director of the Offeror, who is interested in 50% of the shareholding of the Offeror as at the Latest Practicable Date
"Mr. Yung"	Mr. Yung Ka Chun, an executive Director and the sole ultimate beneficial owner of Easeglory as at the Latest Practicable Date

"Offer Closing Date"	3 July 2018, being the first offer closing date of the Offers, which covers at least 21 calendar days after the posting of this Composite Document, or any subsequent offer closing date of the Offers as may be extended in accordance with the Takeovers Code
"Offer Period"	has the same meaning ascribed to it under the Takeovers Code and commenced from the date of the Joint Announcement until the Offer Closing Date
"Offers"	collectively, the Share Offer and the Option Offer
"Offeror"	Solar Star Global Limited (星陽環球有限公司), a company incorporated in the BVI with limited liability which is owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin as at the Latest Practicable Date
"Offeror Director"	the sole director of the Offeror, being Mr. Ng
"Option(s)"	the share option(s) granted by the Company pursuant to the share option scheme of the Company conditionally adopted on 20 April 2002, which entitle(s) holder(s) thereof to subscribe for the Shares in accordance with the terms and conditions thereof
"Option Offer"	the mandatory conditional cash offer made by Kingston Securities for and on behalf of the Offeror for the cancellation of all the outstanding Options held by the Optionholders in accordance with the Takeovers Code
"Optionholder(s)"	the holder(s) of the Option(s)
"Option Offer Price"	the consideration of HK$0.01 per Option payable in cash by the Offeror to the Optionholders for cancellation of each Option under the Option Offer
"Overseas Shareholder(s)"	the Shareholder(s) with registered address(es) on the register of members of the Company which was/were outside Hong Kong

"**PINK** Form of Option Offer Acceptance"	the pink form of acceptance of all outstanding Options in respect of the Option Offer
"PRC"	the People's Republic of China (for the purpose of this Composite Document, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Profit Warning Announcement"	the announcement dated 9 May 2018 published by the Company
"Registrar"	Tricor Tengis Limited, the Hong Kong branch share registrar of the Company, situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period from 27 October 2017, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share(s)"	135,000,000 Shares (representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date), owned by the relevant Vendors before the Share Sale
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Sale"	the acquisition of the Sale Shares, representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date, at the consideration of HK$14.85 million, representing HK$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of issued Share(s)

"Share Offer"	the mandatory conditional cash offer made by Kingston Securities for and on behalf of the Offeror for all the issued Shares not already owned or to be acquired by the Offeror or parties acting in concert with it in accordance with the Takeovers Code
"Share Offer Price"	the consideration per Share of HK$0.12 payable in cash by the Offeror to the Shareholders under the Share Offer
"Share Transfer"	the transfer of the Transfer Shares at a consideration of HK$46,034,066.76 in cash, representing HK$0.11 per Transfer Share, from Easeglory to the Offeror, as the nominee of Golden Prince, pursuant to the Deed of Settlement, as a full and final settlement of part of the outstanding sum, being HK$46,034,066.76, under the Easeglory Loan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers published by the SFC, as amended, supplemented or otherwise modified from time to time
"Transfer Share(s)"	418,491,516 Shares (representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date), owned by Easeglory before the Share Transfer
"Vendors"	the vendors of the Sale Shares
"**WHITE** Form of Share Offer Acceptance"	the white form of acceptance and transfer of Shares in respect of the Share Offer
"%"	per cent.

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

KINGSTON SECURITIES

5 June 2018

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.

On 24 April 2018 (after trading hours of the Stock Exchange), the Board was informed by the Offeror that the Offeror has acquired an aggregate of 553,491,516 Shares in the following manners:-

(a) the Transfer Shares representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the consideration of HK$46,034,066.76, representing HK$0.11 per Transfer Share, pursuant to the Deed of Settlement entered into between Easeglory and Golden Prince on 24 April 2018 (for details of the Deed of Settlement, please refer to the paragraph headed "The Deed of Settlement" below); and

(b) the Sale Shares representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the aggregate consideration of HK$14.85 million, representing HK$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018. As confirmed by the Offeror with the broker, there were two Vendors under the Share Sale, from whom the Offeror acquired 70,000,000 Shares and 65,000,000 Shares, respectively. To the best of the Offeror Director's knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners is an independent third party not connected with the Offeror and parties acting in concert with it.

Completion of the Share Transfer took place on 25 April 2018. Completion of the Share Sale took place on 25 April 2018.

The Deed of Settlement

On 24 April 2018, Easeglory and Golden Prince entered into the Deed of Settlement, pursuant to the Deed of Settlement, in consideration of the full and final settlement of the Easeglory Loan in an aggregate sum of HK$78,737,939.19 (inclusive of interest accrued thereon) indebted to Golden Prince by Easeglory, Easeglory, amongst others, agreed to:-

(i) transfer 418,491,516 Shares (i.e., the Transfer Shares) to the Offeror, as the nominee of Golden Prince, at a consideration of HK$46,034,066.76, representing HK$0.11 per Transfer Share, as the full and final settlement of part of the outstanding sum, being HK$46,034,066.76, under the Easeglory Loan. The Transfer Shares were charged to Golden Prince immediately before completion of the Deed of Settlement;

(ii) transfer 98,500,000 Convertible Preference Shares to the Offeror, as the nominee of Golden Prince, at a consideration of HK$10,835,000, representing HK$0.11 per Convertible Preference Share, as the full and final settlement of part of the outstanding sum, being HK$10,835,000, under the Easeglory Loan. The above Convertible Preference Shares were charged to Golden Prince immediately before completion of the Deed of Settlement; and

(iii) repay the remaining outstanding sum of HK$21,868,872.43 under the Easeglory Loan by cash.

Shareholding of the Offeror and parties acting in concert with it immediately following the Completion

In August 2016, Mr. Ng, who is presumed to be a party acting in concert with the Offeror under the definition of "acting in concert" in the Takeovers Code, acquired an aggregate of 59,000,000 Shares, representing approximately 2.09% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. On 26 March 2018, the Offeror acquired 320,000,000 Shares, representing approximately 11.35% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the consideration of HK$23,000,000 in cash, representing approximately HK$0.0719 per Share, from a third party independent of the Offeror and parties acting in concert with it. Accordingly, immediately prior to the Acquisitions, the Offeror and parties acting in concert with it were interested in 379,000,000 Shares, representing approximately 13.45% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. Save as disclosed in this Composite Document, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them has dealt in any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it own an aggregate of 932,491,516 Shares, representing approximately 33.09% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required to make the Share Offer pursuant to Rule 26.1 of the Takeovers Code and the Option Offer pursuant to Rule 13.5 of the Takeovers Code.

This letter sets out, amongst others, the principal terms of the Offers, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "LETTER FROM THE BOARD" as well as the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" and the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" in respect of the Offers, as contained in this Composite Document.

MANDATORY CONDITIONAL CASH OFFERS

As at the Latest Practicable Date, the Company has 2,818,249,944 Shares in issue, 98,500,000 Convertible Preference Shares in issue (all of which being held by the Offeror as at the Latest Practicable Date) and 450,000 outstanding Options in respect of 450,000 Shares. Assuming that none of the Convertible Preference Shares is converted and none of the outstanding Options is exercised prior to the close of the Offers, 1,885,758,428 Shares will be subject to the Share Offer and 450,000 Options will be subject to the Option Offer.

Save as aforesaid, there are no outstanding warrants, options, derivatives or securities which are convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offers

Kingston Securities is, on behalf of the Offeror, making the Offers in accordance with the Takeovers Code on the following basis:

The Share Offer

For each Share . . . . HK$0.12 in cash

The Option Offer

For cancellation of each outstanding Option . . . . HK$0.01 in cash

The Share Offer Price of HK$0.12 for each Share under the Share Offer is higher than the highest price paid by the Offeror and parties acting in concert with it for the acquisition of the Shares within the Relevant Period. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Options would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Options (which is HK$0.50 per Share) is above the Share Offer Price, the outstanding Options are out-of-money and the offer price for each outstanding Option (i.e., the Option Offer Price) is at the nominal value of HK$0.01.

Further details of the terms of the Share Offer and Option Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance, respectively.

Conditions of the Offers

The Offers are subject to valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Offer Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with the Shares already owned or to be acquired before or during the Offers, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company. The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfilment of the conditions to the Offers in accordance with the Takeovers Code and the GEM Listing Rules. The latest time on which the Offeror can declare the Offers unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent).

WARNING: Shareholders, Optionholders and/or potential investors of the Company should note that the Offers are subject to the satisfaction of the conditions of the Offers stated above. The Offers may or may not become unconditional. Shareholders, Optionholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares and Options. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Comparison of value

The Share Offer Price of HK$0.12 for each Share under the Share Offer represents:

(i) the closing price of HK$0.12 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 0.84% over the average of closing price of HK$0.119 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 0.33% over the average of closing price of approximately HK$0.1196 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 2.76% to the average of closing price of approximately HK$0.1234 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 20.00% over the net asset value per share of approximately HK$0.10, calculated based on the unaudited consolidated net asset value attributable to Shareholders of the Company as at 30 September 2017, the date to which the latest unaudited interim financial results of the Group were made up and after taking into account of the net proceeds of approximately HK$44.5 million from the placement of Shares completed on 20 March 2018, divided by the number of issued Shares as at the Latest Practicable Date; and

(vi) a discount of approximately 0.83% to the closing price of HK$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.184 per Share on 27 October 2017 and HK$0.112 per Share on 9 February 2018, respectively.

Total value of the Offers

Assuming that there is no change in the issued ordinary share capital of the Company, none of the outstanding Convertible Preference Shares is converted and none of the outstanding Options is exercised prior to the Offer Closing Date, there would be 2,818,249,944 Shares in issue. On the basis of the Share Offer Price at HK$0.12 per Share, the entire issued ordinary share capital of the Company would be valued at approximately HK$338 million.

Excluding the 932,491,516 Shares and the 98,500,000 Convertible Preference Shares (representing all the outstanding Convertible Preference Shares as at the Latest Practicable Date) already owned by the Offeror and the parties acting in concert with it as at the Latest Practicable Date, 1,885,758,428 Shares will be subject to the Share Offer and the Share Offer is therefore valued at approximately HK$226 million based on the Share Offer Price. Assuming that no outstanding Options are exercised before the Offer Closing Date and based on the Option Offer Price of HK$0.01 per Option, the total consideration required to satisfy the cancellation of all the outstanding Option is HK$4,500. Accordingly, the Offers are valued at approximately HK$226 million in aggregate.

Financial resources available for the Offers

The financial resources of the Offeror to fund the aggregate value of the Offers will be satisfied by the internal resources of the Offeror and the Facilities. The Offeror has entered into the Loan Facility Agreement under which the Offeror and its parties acting in concert is required to pledge the Shares and Convertible Preference Shares held by them and the Shares to be acquired by the Offeror as collateral (the "**Pledged Shares**"), of which the voting rights of the Shares subject to the Pledged Shares would not be transferred to Kingston Securities. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) for the Facility will not depend to any significant extent on the business of the Group.

Kingston Corporate Finance, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Effect of accepting the Offers

By validly accepting the Share Offer, Shareholders would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of posting of this Composite Document.

By validly accepting the Option Offer, Optionholders would agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date of which the Option Offer is made, that is, the date of posting of this Composite Document.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Payments

Provided that the Offers have become, or have been declared unconditional in all respects, payment in cash in respect of acceptance of the Offers would be made as soon as possible but in any event within seven Business Days following the later of (i) the date on which the Offers become or are declared unconditional or (ii) the date on which the duly completed form of acceptance of the Offers and the relevant documents of title of the Shares or the Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render each such acceptance of any of the Share Offer and the Option Offer complete and valid.

Stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, would be deducted from the amount payable to Independent Shareholders who accept the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar).

The Offeror would bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Overseas Shareholders

As the Share Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, overseas Shareholders whose addresses as shown in the register of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Share Offer. It is the responsibility of the overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any overseas Shareholder will be deemed to constitute a representation and warranty from such overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The overseas Shareholders should consult their professional advisers if in doubt.

Taxation advice

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed "INFORMATION ON THE GROUP" in the "LETTER FROM THE BOARD" and in Appendices IIA, IIB and III to this Composite Document.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability on 7 February 2018 and did not carry out any other business activities other than holding of Shares. The Offeror is legally and beneficially owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin as at the Latest Practicable Date. The direct and sole beneficial owner of Golden Prince, Mr. Ng Leung Ho, is the father of Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin. Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin are siblings. Accordingly, each of Mr. Ng Leung Ho, Mr. Ng, Ms. Ng Si Wing, Ms. Ng Yin and Golden Prince is presumed to be a party acting in concert with the Offeror under the definition of "acting in concert" in the Takeovers Code.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Ng.

Mr. Ng has eight years of experience in founding new business and commercial management. Mr. Ng studied at Macquarie University (major in accounting) in Australia after obtained his diploma from the Sydney Institute of Business and Technology in year of 2009. Since February 2012, Mr. Ng founded and managed businesses including the scope of manufacturing and services sector. Mr. Ng is an executive director and vice chairman of Theme International Holdings Limited (stock code: 990) ("**TIHL**"), the shares of which are listed on the Main Board of the Stock Exchange. He was also an executive director of Yueshou Environmental Holdings Limited (currently known as China Gem Holdings Limited) (stock code: 1191), the shares of which are listed on the Main Board of the Stock Exchange, from October 2014 to March 2016. Mr. Ng holds directorship in certain subsidiaries of TIHL, including Asia Develop Limited and King Topwell International Limited.

Ms. Ng Si Wing has five years of experiences in the finance field. Ms. Ng Si Wing graduated from Macquarie University in Australia and obtained a bachelor's degree in commerce majoring in accounting in 2003 after she obtained the diploma of commerce from the Sydney Institute of Business and Technology in Australia in 2000. She worked as the vice president at Fulbright Financial Group Holdings Limited form January 2017 to May 2018. As at the Latest Practicable Date, Ms. Ng Si Wing has not held any directorship in company listed on the Stock Exchange.

Ms. Ng Yin has six years of experience in the accounting field and has been involved in the property development investment business since 2015. Ms. Ng Yin graduated from Macquarie University in Australia and obtained a bachelor's degree in accounting in 2008. She is currently a director of Golden Empire Limited, a company primarily engaged in the investment of property development projects in the PRC. As at the Latest Practicable Date, Ms. Ng Yin has not held any directorship in company listed on the Stock Exchange.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror would conduct a review on the financial position and the operations of the Group and would formulate long-term business plans and strategies of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate to enhance the long-term growth potential of the Group. The Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than the possible changes to the members of the Board as detailed in the section headed "Possible Change of the Board Composition" below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business as at the Latest Practicable Date.

The Offeror believes that if the Offers become unconditional, it would allow the Offeror to consolidate its control in the Company and the Group would be able to leverage on the extensive commercial network of Mr. Ng to support the Group's business. In light of the interest alignment between the Group and the Offeror, it is expected that the motivation for the Offeror to play a greater role in directing the future development of the Group would increase, which will improve financial performance of the Group and create greater value for the Shareholders in the long term perspective.

POSSIBLE CHANGE OF THE BOARD COMPOSITION

The Board is currently made up of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors.

As at the Latest Practicable Date, the Offeror intends to nominate new Directors to the Board and such appointments will not take effect earlier than the date of posting of this Composite Document in relation to the Offers or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated. It is also possible that certain existing Director(s) may leave the Board. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will form the composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and a separate announcement will be made in this regard as and when appropriate.

MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Shares; or

(b) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken/will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

In this connection, it should be noted that following the close of the Offers, there might be insufficient public float of the Shares and therefore, trading in the Shares might be suspended until sufficient public float exists in the Shares.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to acquire compulsorily any outstanding Shares not acquired under the Offers after the close of the Offers.

GENERAL

The attention of the Overseas Shareholders and Optionholders is drawn to paragraph 9 in Appendix I to this Composite Document.

All communications, notice(s), Form(s) of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Kingston Corporate Finance, Kingston Securities, the Independent Financial Adviser, the Registrar and any of their respective directors or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

ADDITIONAL INFORMATION

Your attention is drawn to the "LETTER FROM THE BOARD", the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" and the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully
For and on behalf of
KINGSTON SECURITIES LIMITED
Chu, Nicholas Yuk-yui
Director

HUA XIA HEALTHCARE HOLDINGS LIMITED
華夏醫療集團有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

Executive Directors:
Dr. Jiang Tao
Mr. Yung Ka Chun
Mr. Zheng Gang
Dr. Huang Jiaqing
Mr. Lin Jinzong

Non-executive Directors:
Dr. Wong Yu Man, James
Mr. Tang Xun
Mr. Chan Chi Ming, Tony

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

Registered office:
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

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

5 June 2018

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY KINGSTON SECURITIES LIMITED ON BEHALF OF SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement.

* *for identification purposes only*

On 24 April 2018 (after trading hours of the Stock Exchange), the Board was informed by the Offeror that the Offeror has acquired an aggregate of 553,491,516 Shares in the following manners:-

(a) the Transfer Shares representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the consideration of HK$46,034,066.76, representing HK$0.11 per Transfer Share, pursuant to the Deed of Settlement entered into between Easeglory and Golden Prince on 24 April 2018 (for details of the Deed of Settlement, please refer to the section headed "INTRODUCTION – The Deed of Settlement" in the "LETTER FROM KINGSTON SECURITIES" in this Composite Document); and

(b) the Sale Shares representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the aggregate consideration of HK$14.85 million, representing HK$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018. As confirmed by the Offeror with the broker, there were two Vendors under the Share Sale, from whom the Offeror acquired 70,000,000 Shares and 65,000,000 Shares, respectively.

Completion of the Share Transfer took place on 25 April 2018. Completion of the Share Sale took place on 25 April 2018.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it own an aggregate of 932,491,516 Shares, representing approximately 33.09% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required to make the Share Offer pursuant to Rule 26.1 of the Takeovers Code and the Option Offer pursuant to Rule 13.5 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Company has established the Independent Board Committee comprising the non-executive Directors who have no direct or indirect interest in the Offer namely, Dr. Wong Yu Man, James, Mr. Tang Xun, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin, to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Mr. Chan Chi Ming, Tony, a non-executive Director, is not taking part in the Independent Board Committee in order to avoid any perceived conflict of interest due to him being a consultant providing strategic advice to Bloom Dragon Finance Limited (興龍財務有限公司), a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr. Ng and 50% by Good Fellow Group Limited as at the Latest Practicable Date. As at the Latest Practicable Date, Good Fellow Group Limited is owned as to 99.99% by Hillbrow Securities Limited and 0.01% by Mr. Ng Leung Ho, who is the father of Mr. Ng. Hillbrow Securities Limited is wholly-owned by Mr. Ng Leung Ho.

Pursuant to Rule 2.1 of the Takeovers Code, Nuada Limited has been appointed as the Independent Financial Adviser by the Company after approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable so far as the Independent Shareholder and Optionholders are concerned and as to the acceptance of the Offers.

The purpose of this Composite Document is to provide you with, amongst others, information relating to the Group, the Offeror and the Offers as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in respect of the terms of the Offers and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee in respect of the terms of the Offers and as to acceptance.

THE OFFERS

As at the Latest Practicable Date, the Company has 2,818,249,944 Shares in issue, 98,500,000 Convertible Preference Shares in issue (all of which being held by the Offeror as at the Latest Practicable Date) and 450,000 outstanding Options in respect of 450,000 Shares. Assuming that none of the Convertible Preference Shares is converted and none of the outstanding Options is exercised prior to the close of the Offers, 1,885,758,428 Shares will be subject to the Share Offer and 450,000 Options will be subject to the Option Offer.

Save as aforesaid, there are no outstanding warrants, options, derivatives or securities which are convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offers

As mentioned in the "LETTER FROM KINGSTON SECURITIES" on pages 8 to 19 of this Composite Document, Kingston Securities is, on behalf of the Offeror, making the Offers in accordance with the Takeovers Code on the following basis:

The Share Offer

For each Share . . . . HK$0.12 in cash

The Option Offer

For cancellation of each outstanding Option . . . . HK$0.01 in cash

The Share Offer Price of HK$0.12 for each Share under the Share Offer is higher than the highest price paid by the Offeror and parties acting in concert with it for the acquisition of the Shares within the Relevant Period. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Options would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Options (which is HK$0.50 per Share) is above the Share Offer Price, the outstanding Options are out-of-money and the offer price for each outstanding Option (i.e., the Option Offer Price) is at a nominal value of HK$0.01.

Further details of the Offers, including terms and procedures for acceptance of the Offers, are contained in the "LETTER FROM KINGSTON SECURITIES" as set out on pages 8 to 19 and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before the Acquisitions; (ii) immediately following Completion and as at the Latest Practicable Date (assuming that none of the outstanding Convertible Preference Shares have been converted and none of the outstanding Options have been exercised); and (iii) immediately following Completion and as at the Latest Practicable Date (assuming that all the outstanding Convertible Preference Shares have been converted and all the outstanding Options have been exercised):

Shareholders	**Immediately before the Acquisitions**		**Immediately following Completion and as at the Latest Practicable Date (assuming that none of the outstanding Convertible Preference Shares have been converted and none of the outstanding Options have been exercised)**		**Immediately following Completion and as at the Latest Practicable Date (assuming that all the outstanding Convertible Preference Shares have been converted and all the outstanding Options have been exercised)**	
	No. of Shares	*Approximate % (Note 1)*	*No. of Shares*	*Approximate % (Note 1)*	*No. of Shares*	*Approximate % (Note 1)*
Offeror and parties acting in concert with it						
Offeror *(Note 2)*	320,000,000	11.35	873,491,516	31.00	971,991,516	33.32
Mr. Ng *(Note 2)*	59,000,000	2.09	59,000,000	2.09	59,000,000	2.02
Sub-total	379,000,000	13.45	932,491,516	33.09	1,030,991,516	35.34
Easeglory *(Note 3)*	418,491,516	14.85	–	–	–	–
Directors						
Mr. Yung	2,640,000	0.09	2,640,000	0.09	2,640,000	0.09
Dr. Jiang Tao	9,300,000	0.33	9,300,000	0.33	9,300,000	0.32
Mr. Zheng Gang	6,044,000	0.21	6,044,000	0.21	6,044,000	0.21
Dr. Huang Jiaqing	1,400,000	0.05	1,400,000	0.05	1,400,000	0.05
Other non-public Shareholder						
New Hope International (Hong Kong) Limited *(Note 4)*	343,217,539	12.18	343,217,539	12.18	343,217,539	11.77
Public Shareholders	1,658,156,889	58.84	1,523,156,889	54.05	1,523,606,889	52.23
Total:	2,818,249,944	100.00	2,818,249,944	100.00	2,917,199,944	100.00

Notes:

(1) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.

(2) As at the Latest Practicable Date, the Offeror is owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng directly holds 59,000,000 Shares as at the Latest Practicable Date.

(3) Immediately before completion of the Deed of Settlement, Easeglory, which is wholly-owned by Mr. Yung, was interested in 418,491,516 Shares and 98,500,000 Convertible Preference Shares.

(4) As at the Latest Practicable Date, New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Co., Ltd# (南方希望實業有限公司) which is, in turn, owned as to 51% by New Hope Group Co., Ltd.# (新希望集團有限公司) and 49% by Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司). Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei.

INFORMATION ON THE GROUP

The Company is an investment holding company, and the Group is principally engaged in the provision of general hospital services in the PRC. Your attention is drawn to Appendices II and III of this Composite Document which contain further financial and general information of the Group.

INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed "INFORMATION OF THE OFFEROR" in the "LETTER FROM KINGSTON SECURITIES" as set out on pages 16 to 17 of this Composite Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Your attention is drawn to the sections headed "INFORMATION OF THE OFFEROR" and "THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP" in the "LETTER FROM KINGSTON SECURITIES" as set out on pages 16 to 17 of this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole. The Board is aware that the Offeror intends to continue the existing principal businesses of the Group and that the Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than the possible changes to the members of the Board as detailed in the section headed "POSSIBLE CHANGE OF THE BOARD COMPOSITION" in the "LETTER FROM KINGSTON SECURITIES" as set out on page 18 of this Composite Document) or (ii) redeploy the fixed assets of the Group other than those in the ordinary and usual course of business as at the Latest Practicable Date.

MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

As stated in the "LETTER FROM KINGSTON SECURITIES", the Offeror intends to maintain the listing of the Shares on GEM following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Shares; or

(b) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken/will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

PROFIT WARNING ANNOUNCEMENT

As disclosed in the Profit Warning Announcement, based on a preliminary review of the unaudited financial information of the Group for the year ended 31 March 2018 and information currently available to the Board, the Group is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 (the "**Current Year**"). The expected loss for the Current Year was mainly attributable to the effects of an impairment loss on carrying amounts of goodwill as at 31 March 2018.

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Announcement is regarded as a profit estimate and must be reported on by the Company's auditors and the Independent Financial Adviser in accordance with Rule 10.4 of the Takeovers Code. In this regard, the Profit Warning Announcement has been reported on by HLB Hodgson Impey Cheng Limited, the auditors of the Company, and the Independent Financial Adviser. Your attention is drawn to the reports from HLB Hodgson Impey Cheng Limited and the Independent Financial Adviser on the Profit Warning Announcement set out in Appendix IIB to this Composite Document.

Bases and assumptions in preparing the profit estimate

The Directors have prepared the profit estimate based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2018. The profit estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 March 2017 and the new or revised accounting standards issued that are effective for accounting period beginning on 1 April 2017 where applicable, and has been compiled in accordance with the bases and assumptions including the following:

(i) there will be no material changes in existing political, legal, fiscal, social or economic conditions in Hong Kong and the PRC;

(ii) there will be no material changes in legislation or regulations in Hong Kong and the PRC materially affecting the business carried on by the Group;

(iii) there will be no material changes in interest rates and exchange rates from those currently prevailing;

(iv) there will be no wars, military incidents, pandemic diseases, or natural disasters that would have a material impact on the Group's businesses and operating activities;

(v) there will be no material changes in the bases or rates of tax applicable to the activities of the Group or in the bases in the territories in which the Group carries on business;

(vi) there will be no exceptional nor unforeseeable circumstances that will require provisions to be made by the Group in respect of any contingent liability, litigations, legal proceedings or arbitration threatened or other unexpected losses; and

(vii) the Group obtained all necessary permits and approvals to carry out the business operations and shall have no legal impediment in renewing those permits and approvals from time to time.

RECOMMENDATION

Your attention is drawn to (i) the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" on pages 28 to 29 of this Composite Document, which sets out its advice and recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptance thereof; and (ii) the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" on pages 30 to 53 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by it before arriving at its advice and recommendation.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

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

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)

5 June 2018

To the Independent Shareholders and Optionholders

MANDATORY CONDITIONAL CASH OFFERS BY KINGSTON SECURITIES LIMITED ON BEHALF OF SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to the Composite Document dated 5 June 2018 issued jointly by the Offeror and the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptances thereof and to made recommendations to the Independent Shareholders and Optionholders.

Nuada Limited has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and the principal factors and reasons taken into account by it in arriving at its advice and recommendation are set out in the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" on pages 30 to 53 of the Composite Document.

We also wish to draw your attention to the "LETTER FROM THE BOARD", the "LETTER FROM KINGSTON SECURITIES" and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offers and the letter of advice and recommendations from Nuada Limited, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and therefore we recommend the Independent Shareholders to accept the Share Offer and the Optionholders to accept the Option Offer. The Independent Shareholders and Optionholders are recommended to read the full text of the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" set out in the Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should monitor the Share price movement until near the end of the Offer Period. If the net proceeds from the sale of the Shares in the open market after deducting all transaction cost would exceed the net amount receivable under the Share Offer, the Independent Shareholders should consider selling their Shares in the market, rather than accepting the Share Offer.

Notwithstanding our recommendation, the Independent Shareholders and Optionholders should consider carefully the terms and conditions of the Offers. In any case, the Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of the
Independent Board Committee

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

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this document.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

5 June 2018

To the Independent Board Committee of
Hua Xia Healthcare Holdings Limited

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES
ON BEHALF OF
SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offers, details of which are set out in the Composite Document dated 5 June 2018 jointly issued by the Company and the Offeror to the Shareholders and Optionholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement, on 24 April 2018, the Board was informed by the Offeror that the Offeror has acquired an aggregate of 553,491,516 Shares in the following manners:-

(a) the Transfer Shares representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the consideration of HK$46,034,066.76, representing HK$0.11 per Transfer Share, pursuant to the Deed of Settlement entered into between Easeglory and Golden Prince on 24 April 2018; and

(b) the Sale Shares representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the aggregate consideration of HK$14.85 million, representing HK$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018. As confirmed by the Offeror with the broker, there were two Vendors under the Share Sale, from whom the Offeror acquired 70,000,000 Shares and 65,000,000 Shares, respectively. To the best of the Offeror Director's knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners is an independent third party not connected with the Offeror and parties acting in concert with it.

Completion of the Share Transfer took place on 25 April 2018. Completion of the Share Sale took place on 25 April 2018.

Immediately prior to the Acquisitions, the Offeror and parties acting in concert with it were interested in 379,000,000 Shares, representing approximately 13.45% of the entire issued ordinary share capital of the Company. Save as disclosed above, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them has acquired any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it own an aggregate of 932,491,516 Shares, representing approximately 33.09% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required to make the Share Offer pursuant to Rule 26.1 of the Takeovers Code and the Option Offer pursuant to Rule 13.5 of the Takeovers Code.

The Share Offer

For each Share . . . . HK$0.12 in cash

The Option Offer

For cancellation of each outstanding Option . . . . HK$0.01 in cash

The Share Offer Price of HK$0.12 for each Share under the Share Offer is higher than the highest price paid by the Offeror and parties acting in concert with it for the acquisition of the Shares within the Relevant Period. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Options would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Options (which is HK$0.50 per Share) is above the Share Offer Price, the outstanding Options are out-of-money and the offer price for each outstanding Option (i.e. the Option Offer Price) is at a nominal value of HK$0.01.

The Company has established the Independent Board Committee comprising the non-executive Directors who have no direct or indirect interest in the Offer namely, Dr. Wong Yu Man, James, Mr. Tang Xun, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin, to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Mr. Chan Chi Ming, Tony, a non-executive Director, is not taking part in the Independent Board Committee in order to avoid any perceived conflict of interest due to him being a consultant providing strategic advice to Bloom Dragon Finance Limited (興龍財務有限公司), a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr. Ng and 50% by Good Fellow Group Limited as at the Latest Practicable Date. As at the Latest Practicable Date, Good Fellow Group Limited is owned as to 99.99% by Hillbrow Securities Limited and 0.01% by Mr. Ng Leung Ho, who is the father of Mr. Ng. Hillbrow Securities Limited is wholly-owned by Mr. Ng Leung Ho.

We, Nuada Limited, have been appointed by the Company after approval by the Independent Board Committee as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders in respect of the Offers and, in particular as to whether the Offers are, or are not fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to the acceptance of the Offers. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offers, there were no other engagements between Nuada Limited and the Group or the Offeror. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offers.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors or the Offeror (as the case may be) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers, the Directors and/or the director of the Offeror, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror, the director of the Offeror, their associates and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror, the director of the Offeror, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror, Mr. Ng, accepts full responsibility for the accuracy of the information (other than that relating to the Group, the Directors, the Vendors, their associates and parties acting in concert with any of them) contained in the Composite Document, and confirm, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Group, the Directors, the Vendors, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Independent Shareholders as a result of the Offers. Our opinion is necessarily based on the financial market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Offers, we have taken into account the following principal factors and reasons:

1. Financial information of the Group and outlook

(a) Financial information of the Group

As stated in the Composite Document, the Company is an investment holding company, and the Group is principally engaged in the provision of general hospital services in the PRC.

Set out below is a summary of the Group's operating results and financial position extracted from the Company's annual reports for the year ended 31 March 2015 (the "**Annual Report 2014/15**"), 2016 (the "**Annual Report 2015/16**") and 2017 (the "**Annual Report 2016/17**"), the interim report for the six months ended 30 September 2017 (the "**Interim Report 2017/18**"), and the third quarterly report for the nine months ended 31 December 2017 (the "**Q3 Report 2017/18**").

Operating results

	For the nine months ended 31 December		**For the six months ended 30 September**		**For the year ended 31 March**			
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)	(audited)	(audited)	(audited)	(audited)
Revenue	**244,425**	**198,966**	**159,504**	**120,687**	**269,515**	**1,574,607**	**1,780,309**	**2,243,159**
Provision of general hospital services	244,425	198,966	159,504	120,687	269,515	252,844	214,040	150,685
Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	–	–	–	–	– *(Note 1)*	1,321,763	1,566,269	2,092,474
Total segment profit/(loss)	**–** *(Note 2)*	**–** *(Note 2)*	**12,509**	**5,350**	**22,932**	**14,362**	**(746,431)**	**102,582**
Provision of general hospital services	– *(Note 2)*	– *(Note 2)*	12,509	5,350	22,932	5,242	9,669	15,591
Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	– *(Note 2)*	– *(Note 2)*	–	–	– *(Note 1)*	9,120	(756,100)	86,991
Profit/(Loss) for the period/year attributable to owners of the Company	**(2,068)**	**(17,146)** *(Note 3)*	**(788)**	**(21,276)**	**10,208** *(Note 3)*	**(43,372)**	**(505,581)**	**21,913**

Notes:

1. On 2 March 2017, the Group completed the disposal of some of its non-wholly owned subsidiaries and the Group ceased to engage in pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC since then. During the year ended 31 March 2017 ("**FY2016/17**"), revenue and segment loss from discontinued operation were amounted to approximately HK$938.0 million and HK$3.8 million respectively.

2. No disclosure regarding segment profit/loss was made in Q3 Report 2017/18.

3. Without taking into account the profit from the discontinued operation of pharmaceutical wholesale, distribution and pharmaceutical retail chain business, the Group recorded loss from continuing operations of (i) approximately HK$33.4 million for FY2016/17, as compared to that of approximately HK$31.6 million (restated) for the year ended 31 March 2016 ("**FY2015/16**"); and (ii) approximately HK$2.7 million (restated) for the nine months ended 30 September 2016 ("**Nine Months 2016/17**").

Financial position

	As at 30 September		**As at 31 March**		
	2017	**2017**	**2016**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)	(audited)
Non-current assets	251,720	250,015	163,936	142,317	864,465
Current assets	132,859	132,325	713,934	732,674	773,575
Current liabilities	56,165	61,234	325,401	414,992	410,818
Non-current liabilities	41,476	33,211	158,123	78,501	76,799
Net current assets	76,694	71,091	388,533	317,682	362,757
Net assets	286,938	287,895	394,346	381,498	1,150,423

We noted that the Company usually released annual results announcement in mid of June (the release dates of annual results for FY2015/16 and FY2016/17 were 16 June 2016 and 18 June 2017 respectively). As advised by the management of the Company, the Company targets to release the annual results announcement for the year ended 31 March 2018 in late June 2018.

For the year ended 31 March 2015 ("**FY2014/15**")

The Group was principally engaged in the provision of general hospital services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC for FY2014/15.

The Group's revenue for FY2014/15 amounted to approximately HK$1,780.3 million, dropped by approximately 20.6% as compared to approximately HK$2,243.2 million for the year ended 31 March 2014 ("**FY2013/14**"). According to the Annual Report 2014/15, the decrease in revenue was mainly attributed to the decline in sales from the pharmaceutical wholesales and distribution segment due to the implementation of new 藥品經營品質管理規範 (in English, for identification purpose only, Good Supply Practice for Pharmaceutical Products), which is the new good supply practice on the quality control of pharmaceutical products announced by the PRC government.

Total segment loss recorded approximately HK$746.4 million for FY2014/15, as compared to profit of approximately HK$102.6 million for FY2013/14. Such loss was mainly due to the segment loss from pharmaceutical wholesale and distribution and pharmaceutical retail chain business of approximately HK$756.1 million for FY2014/15 (FY2013/14: profit of approximately HK$87.0 million).

Loss for the year attributable to owners of the Company amounted to approximately HK$505.6 million for FY2014/15, as compared to profit of approximately HK$21.9 million for FY2013/14. We noted from the Annual Report 2014/15 that the loss was mainly related to the impairment loss on goodwill of approximately HK$785.2 million recognised by the Company's non-wholly owned subsidiary for FY2014/15 (FY2013/14: nil) due to the lowered forecasted performance in sales to distributor customers by the directors of such subsidiary having taken into account the financial performance as of June 2014 and the potential effects of the abovementioned new good supply practice on the distribution business.

As at 31 March 2015, the net current assets and net assets of the Group amounted to approximately HK$317.7 million and HK$381.5 million respectively, as compared to that of approximately HK$362.8 million and HK$1,150.4 million respectively as at 31 March 2014. The decrease in net assets was mainly due to the impairment loss on goodwill of approximately HK$785.2 million recognised by the Company's non-wholly owned subsidiary for FY2014/15.

For FY2015/16

The Group's revenue for FY2015/16 amounted to approximately HK$1,574.6 million, dropped by approximately 11.6% as compared to approximately HK$1,780.3 million for FY2014/15. According to the Annual Report 2015/16, the decrease in revenue was mainly attributed to the decline in sales from the pharmaceutical wholesales and distribution segment due to the implementation of new 藥品經營品質管理規範 (in English, for identification purpose only, Good Supply Practice for Pharmaceutical Products) in 2015.

Total segment result reported turnaround from loss of approximately HK$746.4 million for FY2014/15 to profit of approximately HK$14.4 million for FY2015/16. Such turnaround was mainly due to the segment profit from pharmaceutical wholesale and distribution and pharmaceutical retail chain business of approximately HK$9.1 million for FY2015/16 (FY2014/15: loss of approximately HK$756.1 million).

Loss for the year attributable to owners of the Company decreased from approximately HK$505.6 million for FY2014/15 to approximately HK$43.4 million for FY2015/16. We noted from the Annual Report 2015/16 that the decrease in loss was mainly because no impairment loss on goodwill was recorded for FY2015/16 (FY2014/15: approximately HK$785.2 million).

As at 31 March 2016, the net current assets and net assets of the Group amounted to approximately HK$388.5 million and HK$394.3 million respectively, as compared to that of approximately HK$317.7 million and HK$381.5 million respectively as at 31 March 2015.

For the FY2016/17

According to the Annual Report 2016/17, on 2 March 2017, the Group completed the disposal of some of its non-wholly owned subsidiaries regarding the business of pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC. Since then, the Group ceased to engage in the aforementioned business and has been principally engaged in the provision of general hospital services in the PRC.

The Group's revenue for FY2016/17 amounted to approximately HK$269.5 million, slightly increased by approximately 6.6% as compared to revenue from provision of general hospital services of approximately HK$252.8 million for FY2015/16. According to the Annual Report 2016/17, the increase in revenue was mainly attributable to the inclusion of the revenue derived from Beijing hospital through the acquisition of Glowing Smart Investment Limited since 30 September 2016, details of which are set out in the announcements of the Company dated 14 September 2016 and 30 September 2016.

Total segment result amounted to approximately HK$22.9 million for FY2016/17, representing an increase of approximately 340.4% as compared to segment profit from provision of general hospital services of approximately HK$5.2 million for FY2015/16.

Profit for the year attributable to owners of the Company recorded approximately HK$10.2 million for FY2016/17, as compared to loss of approximately HK$43.4 million for FY2015/16. We noted from the Annual Report 2016/17 that the turnaround of profit was mainly due to the gain on disposal of subsidiaries regarding the business of pharmaceutical wholesale, distribution and pharmaceutical retail chain of approximately HK$62.6 million for FY2016/17 (FY2015/16: nil). Without taking into account the profit from the discontinued operation of pharmaceutical wholesale, distribution and pharmaceutical retail chain business which was mainly due to the gain on disposal, the Group recorded loss of approximately HK$33.4 million for FY2016/17, as compared to loss of approximately HK$31.6 million (restated) for FY2015/16.

Following the disposal of subsidiaries for FY2016/17, as at 31 March 2017, the net current assets and net assets of the Group amounted to approximately HK$71.1 million and HK$287.9 million respectively, as compared to that of approximately HK$388.5 million and HK$394.3 million respectively as at 31 March 2016.

For the six months ended 30 September 2017 ("**Six Months 2017/18**")

The Group's revenue for Six Months 2017/18 amounted to approximately HK$159.5 million, increased by approximately 32.1% as compared to approximately HK$120.7 million for the six months ended 30 September 2016 ("**Six Months 2016/17**"). According to the Interim Report 2017/18, the significant increase in revenue was mainly attributed to the acquisition of Beijing hospital on 30 September 2016, details of which are set out in the announcements of the Company dated 14 September 2016 and 30 September 2016.

Total segment profit increased by approximately 131.5% to approximately HK$12.5 million for Six Months 2017/18 from approximately HK$5.4 million for the corresponding period in 2016.

Loss for the period attributable to owners of the Company decreased significantly by approximately 96.2% from approximately HK$21.3 million for Six Months 2016/17 to approximately HK$0.8 million for Six Months 2017/18. We noted from the Interim Report 2017/18 that such decrease was mainly attributable to the increase in gross profit of approximately HK$27.3 million for Six Months 2017/18.

As at 30 September 2017, the net current assets and net assets of the Group amounted to approximately HK$76.7 million and HK$286.9 million respectively, as compared to that of approximately HK$71.1 million and HK$287.9 million respectively as at 31 March 2017.

For the nine months ended 31 December 2017 ("**Nine Months 2017/18**")

The Group's revenue for Nine Months 2017/18 amounted to approximately HK$244.4 million, increased by approximately 22.8% as compared to approximately HK$199.0 million for the Nine Months 2016/17. According to the Q3 Report 2017/18, the increase in revenue was mainly attributable to the revenue from Beijing hospital, which was acquired on 30 September 2016, in an aggregate amount of approximately HK$30.7 million.

Loss for the period attributable to owners of the Company amounted to approximately HK$2.1 million for Nine Months 2017/18, as compared to loss of approximately HK$17.1 million for Nine Months 2016/17. We noted from the Q3 Report 2017/18 that such decrease in loss was mainly attributable to the increase in gross profit of approximately HK$31.0 million for Nine Months 2017/18.

Reference is made to the announcement of the Company dated 9 May 2018. Based on a preliminary review of the unaudited financial information of the Group for the year ended 31 March 2018 and information currently available to the Board, the Group is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018. The expected loss for the such financial year was mainly attributable to the effects of an impairment loss on carrying amounts of goodwill as at 31 March 2018.

According to Note 3 to the consolidated financial statements in the Annual Report 2016/17, we noted that cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

We also noted the financial performance of the Company has been negative since FY2014/15. The Company recorded loss for the year attributable to owners of the Company for FY2014/15, FY2015/16 and loss from continuing operations for FY2016/17 respectively.

We also noted from Annual Report 2014/15, the Annual Report 2015/16 and the Annual Report 2016/17 that the Group recorded impairment loss on goodwill of nil, approximately HK$785.2 million, nil and approximately HK$29.5 million for FY2013/14, FY2014/15, FY2015/16 and FY2016/17 respectively. Impairment loss of goodwill is one of the reasons for the loss for the year attributable to owners of the Company for FY2014/15 and loss from continuing operations for FY2016/17.

Taking into account that (i) the test for impairment is conducted annually, or more frequently when there is an indication that the unit may be impaired; (ii) impairment loss of the recoverable amount of the cash-generating unit is less than its carrying amount; and (iii) impairment loss of goodwill is one of the reasons for the loss for the year attributable to owners of the Company for FY2014/15 and loss from continuing operations for FY2016/17, we cannot come to the conclusion that the impairment loss on goodwill is not expected to occur frequently.

(b) Overview of general hospital services in the PRC

To understand the demand of general hospital services in the PRC which is currently the Group's principal business, we studied relevant statistics as disclosed in "China Statistical Yearbook 2017" (the "**Yearbook**") compiled by National Bureau of Statistics of the PRC.

According to the Yearbook, (i) the consumption on healthcare and medical services per urban households increased from RMB1,305.6 in 2014 to RMB1,630.8 in 2016, representing a compound annual growth of approximately 11.8%, whereas those consumption per rural household increased from RMB753.9 in 2014 to RMB929.2 in 2016, representing a compound annual growth of approximately 11.0%; (ii) total expenditure on public health increased from approximately RMB3,531.2 billion in 2014 to approximately RMB4,634.5 billion in 2016, representing a compound annual growth of approximately 14.6%; (iii) the number of visits for medical services in township health centres rose from approximately 1,028.7 million times in 2014 to approximately 1,082.3 million times in 2016, representing a compound annual growth of approximately 2.6%; and (iv) the number of general hospitals increased from 16,524 in 2014 to 18,020 in 2016, representing a compound annual growth of approximately 4.4%. We noted from the above that the expenditure and demand of citizens on medical services in the PRC was experiencing an upward trend from 2014 to 2016 and the percentage growth in the number of general hospitals from 2014 to 2016 is far below that for the expenditure of PRC citizens. As such, the trend for the demand of general hospital services in the PRC in recent years is positive.

(c) Our view

Despite the progressive prospect of general hospital services in the PRC as discussed above, the financial performance of the Group was not that promising as discussed in the sub-section headed "(a) Financial information of the Group" above, in particular that, without taking into account the profit from the discontinued operation of pharmaceutical wholesale, distribution and pharmaceutical retail chain business, the Group recorded loss for the year from continuing operations of approximately HK$31.6 million and HK$33.4 million for FY2015/16 and FY2016/17 respectively, and is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 due to an impairment loss on goodwill, which we cannot come to the conclusion that the impairment loss on goodwill is not expected to occur frequently as discussed in sub-section headed "For the nine months ended 31 December 2017 ("**Nine Months 2017/18**")" above, according to the announcement of the Company dated 9 May 2018. As such, we cast doubt on the profitability of the general hospital services business of the Group.

2. Information on the Offeror and the Offeror's intention regarding the Group

(a) Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability on 7 February 2018 and did not carry out any other business activities other than holding of Shares. The Offeror is legally and beneficially owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin as at the Latest Practicable Date. The direct and sole beneficial owner of Golden Prince, Mr. Ng Leung Ho, is the father of Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin. Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin are siblings. Accordingly, each of Mr. Ng Leung Ho, Mr. Ng, Ms. Ng Si Wing, Ms. Ng Yin and Golden Prince is presumed to be a party acting in concert with the Offeror under the definition of "acting in concert" in the Takeovers Code.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Ng.

Mr. Ng has eight years of experience in founding new business and commercial management. Mr. Ng studied at Macquarie University (Major in Accounting) in Australia after obtained his diploma from the Sydney Institute of Business and Technology in year of 2009. Since February 2012, Mr. Ng founded and managed businesses including the scope of manufacturing and services sector. Mr. Ng is an executive director and vice chairman of Theme International Holdings Limited (stock code: 990) ("**TIHL**"), the shares of which are listed on the Main Board of the Stock Exchange. He was also an executive director of Yueshou Environmental Holdings Limited (stock code: 1191), the shares of which are listed on the Main Board of the Stock Exchange, from October 2014 to March 2016. Mr. Ng holds directorship in certain subsidiaries of TIHL, including Asia Develop Limited and King Topwell International Limited.

Ms. Ng Si Wing has five years of experiences in the finance field. Ms. Ng Si Wing graduated from Macquarie University in Australia and obtained a bachelor's degree in commerce majoring in accounting in 2003 after she obtained the diploma of commerce from the Sydney Institute of Business and Technology in Australia in 2000. She worked as the vice president at Fulbright Financial Group Holdings Limited from January 2017 to May 2018. As at the Latest Practicable Date, Ms. Ng Si Wing has not held any directorship in company listed on the Stock Exchange.

Ms. Ng Yin has six years of experience in the accounting field and has been involved in the property development investment business since 2015. Ms. Ng Yin graduated from Macquarie University in Australia and obtained a bachelor's degree in professional accounting in 2007. She is currently a director of Golden Empire Limited, a company primarily engaged in the investment of property development projects in the PRC. As at the Latest Practicable Date, Ms. Ng Yin has not held any directorship in company listed on the Stock Exchange.

(b) Offeror's intention regarding the business of the Group

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror would conduct a review on the financial position and the operations of the Group and would formulate long-term business plans and strategies of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate to enhance the long-term growth potential of the Group. The Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than the possible changes to the members of the Board as detailed in the sub-section headed "(c) Possible Change of the Board Composition" below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business as at the Latest Practicable Date.

(c) Possible Change of the Board composition

The Board is currently made up of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors.

As at the Latest Practicable Date, the Offeror intends to nominate new Directors to the Board and such appointments will not take effect earlier than the date of posting of the Composite Document in relation to the Offers or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated. It is also possible that certain existing Director(s) may leave the Board. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will form the composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and a separate announcement will be made in this regard as and when appropriate.

(d) Maintenance of the listing status of the Company

The Offeror intends to maintain the listing of the Shares on GEM following the close of the Offers.

The Stock Exchange had stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Shares; or

(ii) that there are insufficient Shares in public hands to maintain an orderly market,

it would consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken/will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

In this connection, it should be noted that following the close of the Offers, there might be insufficient public float of the Shares and therefore, trading in the Shares might be suspended until sufficient public float exists in the Shares.

(e) Our view

While the Offeror intends to continue the existing principal businesses of the Group, none of Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin, all being the shareholders of the Offeror, has direct experience in provision of general hospital services, in which the Group is principally engaged currently, we are of the view that there remains uncertainty on the future performance of the Group under the control of the Offeror.

3. Principal terms of the Share Offer

(a) Comparison of the market prices of the Shares

As stated in the Composite Document, the Share Offer Price of HK$0.12 for each Share under the Share Offer represents:

(i) the closing price of HK$0.12 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 0.84% over the average of closing price of HK$0.119 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 0.33% over the average of closing price of approximately HK$0.1196 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

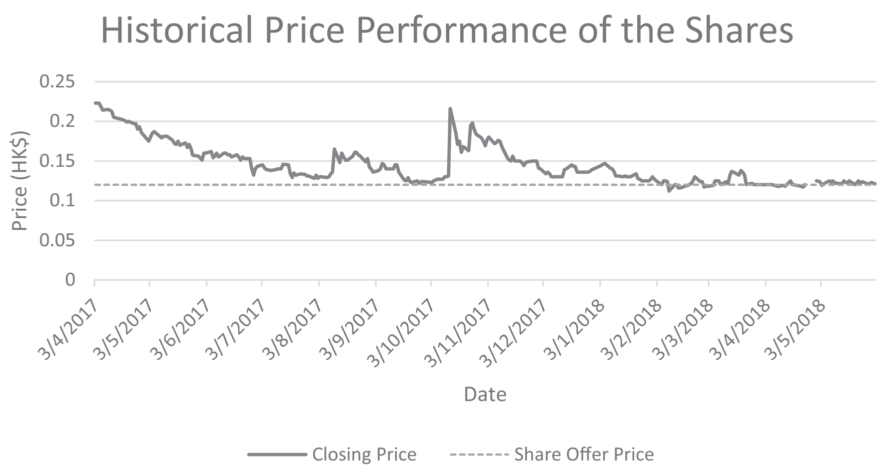
(iv) a discount of approximately 2.76% to the average of closing price of approximately HK$0.1234 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 0.83% to the closing price of HK$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 20.00% over the net asset value per share of approximately HK$0.10 (the "**NAV per Share**"), calculated based on the unaudited consolidated net asset value attributable to Shareholders of the Company as at 30 September 2017, the date to which the latest unaudited interim financial results of the Group were made up and after taking into account of the net proceeds of approximately HK$44.5 million from the placement of Shares completed on 20 March 2018, divided by the number of issued Shares as at the Latest Practicable Date.

(b) Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 3 April 2017, being the starting date of the twelfth month prior to the Last Trading Day, up to the Latest Practicable Date (the "**Review Period**"), to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: Website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was halted from 25 April 2018 to 27 April 2018 (both days inclusive).

As illustrated above, from April 2017 to October 2017, the closing prices of the Shares moved with a general decreasing trend with a trough of HK$0.122 on 26 September 2017. There was a surge of the closing price of the Shares to HK$0.216 on 13 October 2017. We are not aware of any public information relating to such price movement and we are advised by the Directors that they are not aware of any specific reason for the aforesaid price movement. Thereafter, the closing prices of the Shares fell down gradually to the lowest of HK$0.112 on 9 February 2018, and fluctuated at similar level until the Latest Practicable Date.

During the Review Period, the closing prices of the Shares ranged from HK$0.112 to HK$0.223 per Share, with an average of approximately HK$0.145 per Share. The Share Offer Price of HK$0.12 per Offer Share (i) represents a premium of approximately 7.1% over the lowest closing price of HK$0.112 per Share recorded on 9 February 2018; (ii) represents a discount of approximately 46.2% to the highest closing price of HK$0.223 per Share recorded on 3 April 2017 and 5 April 2017 respectively; and (iii) represents a discount of approximately 17.2% to the average closing price of approximately HK$0.145 per Share.

(c) Historical trading liquidity of the Shares

The following table sets out the historical trading liquidity of the Shares during the Review Period:

	No. of trading days in each month/period	Average daily trading volume *(Note 1)*	Total number of issued Shares at month/period end	Percentage of average daily trading volume of the Shares to the total number of issued Shares as at the month/period end *(Note 2)*
2017				
April	17	3,770,235	2,358,249,944	0.16%
May	20	2,287,548	2,358,249,944	0.10%
June	22	770,891	2,358,249,944	0.03%
July	21	612,222	2,358,249,944	0.03%
August	23	2,382,525	2,358,249,944	0.10%
September	21	1,557,524	2,358,249,944	0.07%
October	20	10,244,650	2,358,249,944	0.43%
November	22	864,178	2,358,249,944	0.04%
December	19	434,466	2,358,249,944	0.02%
2018				
January	22	2,173,879	2,358,249,944	0.09%
February	18	3,997,240	2,358,249,944	0.17%
March	21	1,968,029	2,818,249,944	0.07%
April	16	1,322,500	2,818,249,944	0.05%
May	21	2,272,737	2,818,249,944	0.08%
June (up to the Latest Practicable Date)	1	8,524,000	2,818,249,944	0.30%

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period (excluding the days on which the trading in the Shares was halted).

2. It is calculated by dividing the average daily trading volume of the Shares by the total issued share capital of the Company at the end of each month/period or as at the Latest Practicable Date, as applicable.

3. Trading in the Shares was halted from 25 April 2018 to 27 April 2018 (both days inclusive).

As depicted above, during the Review Period, the average daily trading volume ranged from approximately 434,466 Shares to approximately 10,244,650 Shares, representing approximately 0.02% to 0.43% of the total number of Shares in issue at the end of each respective month/period. Except in October 2017 which we are not aware of any public information relating to such trading volume movement and we are advised by the Directors that they are not aware of any specific reason for the aforesaid trading volume movement, the average daily trading volume of the Shares as a percentage of the total number of issued Shares had been between 0.02% and 0.30% during the Review Period. As such, we consider that the liquidity of the Shares had been thin as a whole during the Review Period. Given the inactive trading of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the price of the Shares. Hence, the Share Offer provides an assured opportunity for the Independent Shareholders to realise their investment in the Shares without creating a significant downside pressure on the trading price of the Shares.

Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for those who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares. They are therefore strongly advised to carefully and closely monitor the market price and liquidity of the Shares during the Offer Period if they wish to dispose of part or all of their Shares.

(d) Comparable analysis

In assessing the fairness and reasonableness of the Share Offer, we have considered to compare the price-to-earnings ratio (the "**P/E Ratio**") and the price-to-book ratio (the "**P/B Ratio**") of other listed companies in Hong Kong, which are the most commonly used benchmarks in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. As P/E Ratio measures the value of companies by measuring their profitability of their principal business and the Group recorded loss of approximately HK$33.4 million for FY2016/17 (excluding the profit from the discontinued operation of pharmaceutical wholesale, distribution and pharmaceutical retail chain business) as detailed in section headed "1. Financial information of the Group and outlook" above, we are of the view that P/E Ratio of the Company is not feasible to assess the Share Offer Price. Given (i) P/E Ratio is not applicable for the Company as stated above; and (ii) P/B Ratio analysis is also one of most commonly used benchmarks in assessing the financial valuation of a company as discussed above, we consider P/B Ratio is applicable to assess the fair and reasonableness of the Share Offer Price and therefore adopted P/B Ratio for analysis. As such, we performed comparable analysis using P/B Ratio.

We have attempted to search for companies which (i) are listed on the Stock Exchange; (ii) principally engaged in similar business to the Group; (iii) with over 50% of turnover derived from such principal activities in the latest financial year; and (iv) with market capitalization less than HK$500 million (as the market capitalization of the Company is approximately HK$341.0 million as at the Latest Practicable Date). However, we have not identified any comparable companies that fulfill the above criteria. In view of the above, we are of the view that we cannot conduct a comparable analysis which can provide a meaningful benchmark in assessing the fairness and reasonableness of the Share Offer.

(e) Our view

Having considered that

(i) the Share Offer Price represents a premium of approximately 20.00% over the NAV per Share of approximately HK$0.10;

(ii) despite the Share Offer Price was generally below the closing prices of the Shares during the Review Period, the closing prices of the Shares were in overall downward trend during the Review Period and the Share Offer Price is equal to the closing price of HK$0.12 per Share as quoted on the Stock Exchange on the Last Trading Day, it is uncertain as to whether the closing prices of the Shares would drop continuously in the absence of the Offers; and

(iii) given the inactive trading of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the price of the Shares. Hence, the Share Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downside pressure on the trading price of the Shares,

we are of the view that the Share Offer Price is fair and reasonable.

4. Principal terms of the Option Offer

For cancellation of each outstanding Option . . . . HK$0.01 in cash

As advised by the management of the Company, as at the Latest Practicable Date, there was a batch of outstanding Option entitling Optionholders to subscribe for 450,000 Shares at an exercise price of HK$0.50. Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the "see-through" values of the outstanding Options would be the difference between the exercise prices of the outstanding Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Options (which is HK$0.50 per Share) is above the Share Offer Price (i.e. HK$0.12), the outstanding Options are out-of-money with zero "see-through" value. Accordingly, the offer price for each outstanding Option (i.e. the Option Offer Price) is at a nominal value of HK$0.01. Given that the "see-through" value of the outstanding Options is zero, we consider that the Option Offer Price of HK$0.01 offered to the Optionholders is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, in particular that:

(i) we cast doubt on the profitability of the general hospital services business of the Group in view of the less promising financial performance of the Group as compared to the progressive prospect of general hospital services in the PRC, in particular that, without taking into account the profit from the discontinued operation of pharmaceutical wholesale, distribution and pharmaceutical retail chain business, the Group recorded loss for the year from continuing operations of approximately HK$31.6 million and HK$33.4 million for FY2015/16 and FY2016/17 respectively, and is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 due to an impairment loss on goodwill, which we cannot come to the conclusion that the impairment loss on goodwill is not expected to occur frequently as discussed in sub-section headed "For the nine months ended 31 December 2017 ("**Nine Months 2017/18**")" above, according to the announcement of the Company dated 9 May 2018;

(ii) while the Offeror intends to continue the existing principal businesses of the Group, none of Mr. Ng, Ms. Ng Si Wing and Ms. Ng Yin, all being the shareholders of the Offeror, has direct experience in the Group's principal business. There remains uncertainty on the future performance of the Group under the control of the Offeror;

(iii) the Share Offer Price represents a premium of approximately 20.00% over the NAV per Share of approximately HK$0.10;

(iv) despite the Share Offer Price was generally below the closing prices of the Shares during the Review Period, the closing prices of the Shares were in overall downward trend during the Review Period and the Share Offer Price is equal to the closing price of HK$0.12 per Share as quoted on the Stock Exchange on the Last Trading Day, it is uncertain as to whether the closing prices of the Shares would drop continuously in the absence of the Offers;

(v) given the inactive trading of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the price of the Shares. Hence, the Share Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downside pressure on the trading price of the Shares; and

(vi) the "see-through" value of the outstanding Options is zero, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Optionholders to accept the Share Offer and the Option Offer respectively.

The Independent Shareholders and the Optionholders, in particular those who intend to accept the Offers, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially that the disposal of large blocks of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading of the Shares. The Independent Shareholders who intend to realise their investment in the Company and the Optionholders shall, having regard to their own circumstances, consider exercising the outstanding Options and/or selling the Shares (as the case may be) in the open market, instead of accepting the Offers, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offers.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

(a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "**Hua Xia Healthcare Holdings Limited – Share Offer**" on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Offer Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**Hua Xia Healthcare Holdings Limited – Share Offer**" the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Hua Xia Healthcare Holdings Limited – Share Offer**" the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/ registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/ custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered in an envelope marked "**Hua Xia Healthcare Holdings Limited – Share Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it in an envelope marked "**Hua Xia Healthcare Holdings Limited – Share Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

(f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Offer Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) inserted in the **WHITE** Form of Share Offer Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Share Offer. If no number is inserted or a number inserted is greater or smaller than that represented by the certificates for Shares tendered for acceptance of the Share Offer, the **WHITE** Form of Share Offer Acceptance will be returned to you for correction and resubmission. Any corrected **WHITE** Form of Share Offer Acceptance must be resubmitted and received by the Registrar on or before the latest time of acceptance of the Share Offer; or

(iv) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(g) No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

(a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.

(b) Without prejudice to the paragraph headed "Effect of accepting the Offers" in the "LETTER FROM KINGSTON SECURITIES" contained in this Composite Document and the paragraph headed "5. LAPSE OF OPTIONS" of this Appendix, the completed **PINK** Form of Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Options (if applicable) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) you intend to tender, stating the number of Options in respect of which you intend to accept the Option Offer, by post or by hand, in an envelope marked "**Hua Xia Healthcare Holdings Limited – Option Offer**", to the Company at 19/F., New Wing, 101 King's Road, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Offer Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code provided however, no Option shall be capable of acceptance if at the time of acceptance such Option has lapsed. Please refer to the paragraph headed "5. LAPSE OF OPTIONS" of this Appendix for further information.

(c) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered in an envelope marked "**Hua Xia Healthcare Holdings Limited – Option Offer**" to the Company together with a letter stating that you have lost one or more of your Option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your Option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.

(d) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, you must exercise the Options to the extent exercisable as indicated in the paragraph headed "4. EXERCISE OF OPTIONS" of this Appendix below, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Offers close; and (ii) the relevant **WHITE** Form of Share Offer Acceptance must reach the Registrar on or before 4:00 p.m. on the Offer Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.

(e) No stamp duty will be deducted from the amount paid or payable to Optionholder who accept the Option Offer.

(f) No acknowledgment of receipt of any **PINK** Form(s) of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFERS

2.1 The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days of (i) the date for the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid or (ii) the date on which the Offers become or are declared unconditional in all respects, whichever is the later.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

2.2 The Option Offer

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) in respect of the Options (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Company before the close of the Option Offer, a cheque for the amount due to each of the Optionholders who accepts the Option Offer in respect of the Options tendered by him/her/it under the Option Offer will be despatched to such Optionholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days of (i) the date for the receipt of all the relevant documents by the Company to render such acceptance complete and valid or (ii) the date on which the Offers become or are declared unconditional in all respects, whichever is the later.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Offer Closing Date, unless the Offers are extended or revised with the consent of the Executive.

(b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as they may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

(c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.

(d) If the Offer Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

(e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "7. RIGHT OF WITHDRAWAL" below and duly do so.

4. EXERCISE OF OPTIONS

The Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Offer Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the share option scheme of the Company conditionally adopted on 20 April 2002 and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Options as aforesaid and in accordance with the terms and conditions of the share option scheme of the Company conditionally adopted on 20 April 2002, there is no guarantee that the Company may issue the relevant share certificate(s) in respect of the Shares allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

5. LAPSE OF OPTIONS

As referred to in the paragraph headed "Effect of accepting the Offers" in the "LETTER FROM KINGSTON SECURITIES" contained in this Composite Document, Optionholders should note that under the rules of the share option scheme of the Company conditionally adopted on 20 April 2002, all Options (to the extent not exercised) will lapse automatically on the Offer Closing Date.

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the share option scheme of the Company conditionally adopted on 20 April 2002. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

6. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Offer Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Offer Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or have expired or have become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and Options and rights over Shares:

(i) for which acceptances of the Offers have been received;

(ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number or principal amount of Shares and Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Offer Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

(b) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

7. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Independent Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw his acceptance after 21 days from the Offer Closing Date, if the Offers have not by then become unconditional as to acceptance. However, this entitlement to withdraw shall only be exercisable until such time as the Offers become or are declared unconditional as to acceptances.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "6. ANNOUNCEMENTS" above, the Executive may require that the Independent Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders and the Optionholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Options (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Forms of Acceptance to the relevant Independent Shareholder(s) and Optionholders.

8. STAMP DUTY

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

9. OVERSEAS SHAREHOLDERS

As the Share Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents, Overseas Shareholders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Share Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance of any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

10. TAXATION ADVICE

Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. The Offeror accepts no responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

11. GENERAL

(a) All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Kingston Securities and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.

(c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.

(d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares or the Options in respect of which such person or persons has/have accepted the Offers.

(f) By accepting the Offers, the Independent Shareholders or the Optionholders will sell their Shares or Options (as the case may be) to the Offeror free from all liens, claims, Encumbrances and all third party rights and with all rights attached thereto as at the date of this Composite Document, including in the case of the Shares, the right to receive all dividends and declared, paid or made, if any, on or after the date of this Composite Document. The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

(g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.

(h) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.

(i) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and the Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

(j) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY

The following is the summary of (i) the audited consolidated financial results of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017 as extracted from the annual reports of the Company for the three years ended 31 March 2017; (ii) the unaudited consolidated financial results of the Group for the six months ended 30 September 2017 as extracted from the interim report of the Company for the six months ended 30 September 2017; and (iii) the unaudited consolidated financial results of the Group for the nine months ended 31 December 2017 as extracted from the third quarterly report of the Company for the nine months ended 31 December 2017.

	For the nine months ended 31 December 2017	**For the six months ended 30 September 2017**	**For the year ended 31 March 2017**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited) (restated) (Note 1)*	*(audited)*
Continuing operations					
Revenue	244,425	159,504	269,515	252,844	1,780,309
Cost of sales	(67,631)	(43,203)	(140,153)	(119,592)	(1,502,581)
Gross profit	176,794	116,301	129,362	133,252	277,728
Other revenue and income	(186)	158	1,006	2,593	9,502
Other loss and gain, net	–	–	(233)	44	476
Selling and distribution expenses	(112,779)	(72,148)	(49,956)	(51,556)	(141,745)
Administrative expenses	(56,261)	(37,561)	(74,329)	(110,084)	(120,667)
Impairment loss on goodwill	–	–	(29,490)	–	(785,169)
Loss on early redemption of promissory note	–	–	(3,030)	–	–
Profit/(loss) from operations	7,568	6,750	(26,670)	(25,751)	(759,875)
Finance costs	(1,320)	(957)	(3,115)	(3,099)	(11,520)
Profit/(Loss) before taxation	6,248	5,793	(29,785)	(28,850)	(771,395)
Taxation	(5,137)	(4,274)	(3,577)	(2,784)	(10,789)
Profit/(Loss) for the year/period from continuing operations	1,111	1,519	(33,362)	(31,634)	(782,184)
Discontinuing operations					
Profit/(Loss) for the year/period from discontinued operations	–	–	39,809	(13,462)	–
Profit/(Loss) for the year/period	1,111	1,519	6,447	(45,096)	(782,184)

	For the nine months ended 31 December 2017	For the six months ended 30 September 2017	For the year ended 31 March		
			2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited) (restated) (Note 1)*	*(audited)*
Other comprehensive income/(loss) for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets	–	–	(754)	–	–
Exchange differences on translating foreign operations	1,899	638	(29,603)	(26,457)	2,131
Release of exchange difference upon disposal of subsidiaries	–	–	9,731	–	–
Other comprehensive profit/(loss) for the year/period, net of tax	–	–	(20,626)	(26,457)	2,131
Total comprehensive profit/(loss) for the year/period	3,010	2,157	(14,179)	(71,553)	(780,053)
Profit/(loss) for the year/period attributable to:					
Owners of the Company	(2,068)	(788)	10,208	(43,372)	(505,581)
Non-controlling interests	3,179	2,307	(3,761)	(1,724)	(276,603)
Profit/(loss) for the year/period	1,111	1,519	6,447	(45,096)	(782,184)
Total comprehensive profit/(loss) for the year/period attributable to:					
Owners of the Company	(7,878)	(8,034)	1,679	(63,278)	(504,393)
Non-controlling interests	10,888	10,191	(15,858)	(8,275)	(275,660)
Total comprehensive profit/(loss) for the year/period	3,010	2,157	(14,179)	(71,553)	(780,053)
Earnings/(Loss) per share attributable to owners of the Company					
From continuing and discontinued operations					
– Basic and diluted (HK cents per share)	(0.088)	(0.033)	0.17	(2.57)	(28.73)
From continuing operations					
– Basic and diluted (HK cents per share)	(0.088)	(0.033)	(2.14)	(1.48)	(28.73)
Amount absorbed by dividend (HK$'000) *(Note 2)*	Nil	Nil	165,094	Nil	Nil

Note:

1. The figures disclosed herein have been restated as a result of the operations discontinued during the financial year ended 31 March 2017 as a result 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 held by the Company to the shareholder(s) whose names appear on the register of members of the Company on the record date on the basis of four (4) Wanjia Shares (HK$0.42 each per share on completion date) for every 25 Shares or convertible preference shares of the Company held on the record date, and the Distribution was completed on 2 March 2017. For the registered holders of less than 25 Shares or convertible preference shares of the Company on the Record Date will not be entitled to any Wanjia Shares.

2. Upon completion of the Distribution, the Distribution by the Company was recognised at the market price of the Wanjia Shares at the date of completion of the Distribution.

The Group's financial statements as at and for each of the three years ended 31 March 2015, 2016 and 2017 have been audited by the Company's independent auditor, HLB Hodgson Impey Cheng Limited with unqualified and unmodified opinions issued.

There was no other exceptional item because of size, nature or incidence in the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2017 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 and the nine months ended 31 December 2017.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

The following is the full text of the audited consolidated financial information of the Group for the year ended 31 March 2017 as extracted from the Company's annual report for the year ended 31 March 2017. Capitalised terms used in this section shall have the same meanings as those defined in such annual report.

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	6	74,576	91,772
Prepaid lease payments	7	21,195	34,897
Investment property	8	–	7,199
Available-for-sale financial assets	9	7,158	–
Goodwill	10	147,086	30,068
		250,015	163,936
Current assets			
Inventories	14	8,931	118,574
Trade and other receivables and deposits	15	41,431	339,251
Derivative financial instruments	16	–	301
Pledged bank deposits	17	–	6,096
Cash and cash equivalents	17	81,963	249,712
		132,325	713,934
Total assets		382,340	877,870
EQUITY			
Capital and reserves			
Share capital	18	24,568	17,978
Reserves	19	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	22	38,806	271,771
Bank borrowings	23	13,081	50,395
Amounts due to non-controlling shareholders	24	936	662
Tax payables		1,967	2,573
Convertible note	25	6,444	–
		61,234	325,401
Non-current liabilities			
Convertible note	25	–	83,178
Promissory note	26	33,021	74,104
Deferred tax liabilities	27	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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000 (restated)
Continuing operations			
Revenue	*29*	269,515	252,844
Cost of sales		(140,153)	(119,592)
Gross profit		129,362	133,252
Other revenue	*29*	1,006	2,593
Other loss and gain, net	*29*	(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	*30*	(26,670)	(25,751)
Finance costs	*33*	(3,115)	(3,099)
Loss before taxation		(29,785)	(28,850)
Taxation	*34*	(3,577)	(2,784)
Loss for the year from continuing operations		(33,362)	(31,634)
Discontinued operation			
Profit/(loss) for the period from discontinued operation	*36*	39,809	(13,462)
Profit/(loss) for the year		6,447	(45,096)
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)

	Note	2017 HK$'000	2016 HK$'000 (restated)
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			
From continuing and discontinued operations			
– Basic and diluted *(HK cents per share)*	35	0.17	(2.57)
From continuing operation			
– Basic and diluted *(HK cents per share)*	35	(2.14)	(1.48)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to the owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000 (Note (e))	Special reserve HK$'000	Translation reserve HK$'000 (Note (b))	Share-based payment reserve HK$'000 (Note (c))	Convertible note reserve HK$'000 (Note (d))	Statutory reserve HK$'000 (Note (a))	Revaluation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 loss 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	–	–	–	–	–	–	–	9,624	–	–	–	9,624	–	9,624
Deferred taxation of convertible notes	–	–	–	–	–	–	–	(1,929)	–	–	–	(1,929)	–	(1,929)
At 31 March 2016 and 1 April 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
Other comprehensive (loss)/income for the year, net of tax														
Exchange difference on translating foreign operations	–	–	–	–	–	(17,506)	–	–	–	–	–	(17,506)	(12,097)	(29,603)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(754)	–	(754)	–	(754)
Release of exchange difference upon disposal of subsidiaries *(Note 13)*	–	–	–	–	–	9,731	–	–	–	–	–	9,731	–	9,731
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	–	10,208	10,208	(3,761)	6,447
Total comprehensive (loss)/profit for the year	–	–	–	–	–	(7,775)	–	–	–	(754)	10,208	1,679	(15,858)	(14,179)
Equity-settled share-based payments	–	–	–	–	–	–	4,401	–	–	–	–	4,401	–	4,401
Acquisition of subsidiaries	3,200	115,200	–	–	–	–	–	–	–	–	–	118,400	–	118,400
Issue of shares pursuant to placing, net	3,390	98,872	–	–	–	–	–	–	–	–	–	102,262	–	102,262
Transfer to statutory reserve	–	–	–	–	–	–	–	–	2,779	–	(2,779)	–	–	–
Disposal of subsidiaries *(Note 13)*	–	–	–	126,113	–	–	–	(7,695)	(32,400)	–	(86,018)	–	(153,553)	(153,553)
Distribution in specie *(Note 37)*	–	(165,094)	–	–	–	–	–	–	–	–	–	(165,094)	–	(165,094)
Lapse of share option	–	–	–	–	–	–	(144)	–	–	–	144	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	1,312	1,312
As at 31 March 2017	24,568	400,239	295,610	–	(6,735)	6,157	16,280	2,537	13,501	(754)	(507,790)	243,613	44,282	287,895

Notes:

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

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

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

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

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

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

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

On 12 May 2015, the Group disposed 25% equity interest of Fuzhou Province Huihao City Huihao Pharmaceutical Co. Limited ("Fuzhou Huihao") by way of increasing the registered capital of Fuzhou Huihao from RMB60,000,000 to RMB80,000,000. The non-controlling interests of Fuzhou Huihao agreed to pay RMB20,000,000 for the increase capital of Fuzhou Huihao. The Group recognised a decrease in other reserve of approximately HK$29,208,000.

On 9 September 2015, the Group further acquired 0.51% equity interest of Fujian Huihao Sihai Pharmaceutical Chain Company Limited (the "Huihao Sihai") by way of increasing the registered capital, as a result other reserve was increased approximately HK$550,000.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		11,309	(41,154)
Adjustments for:			
Interest income		(520)	(1,206)
Interest expenses		15,899	19,464
Amortisation of prepaid lease payments	7	1,323	1,405
Depreciation of property, plant and equipment	6	21,038	18,679
Change in fair value of investment properties		–	490
Change in fair value of derivative financial instruments	16	301	(17)
Loss on early redemption of promissory note		3,030	–
Loss on disposal of property, plant and equipment		386	551
Loss on disposal of a subsidiaries	13(a)	326	772
Gain on disposal of subsidiaries through distribution in specie	13(b)	(62,586)	–
Impairment loss on goodwill		29,490	–
Impairment loss recognised in respect of trade and other receivables	15	305	5,595
Reversal of impairment loss recognised in respect of trade and other receivables	15	(113)	(910)
Equity-settled share-based payments		4,401	19,376
Operating cash inflows before movements in working capital		24,589	23,045
Decrease in inventories		352	13,803
(Increase)/decrease in trade and other receivables and deposits		(99,022)	166,066
Decrease in trade and other payables		(19,605)	(12,053)
Increase/(decrease) in amounts due to non-controlling shareholders		274	(485)
Net cash (used in)/generated from operations		(93,412)	190,376
PRC Enterprise income tax paid		(4,346)	(5,754)
Net cash (used in)/generated from operating activities		(97,758)	184,622

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		520	1,206
Purchase of property, plant and equipment		(10,466)	(43,335)
Additions of prepaid lease payments		–	(7,934)
Net cash inflow on disposal of a subsidiary		9,302	2,107
Net cash outflow on distribution in specie		(93,334)	–
Deemed disposal of interest a subsidiary		–	16,314
Proceeds from disposal of property, plant and equipment		28	–
Net cash outflow on acquisition of subsidiaries		39,699	–
Net cash used in investing activities		(133,649)	(31,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(9,140)	(12,927)
Decrease in pledged bank deposits		6,096	6,874
Proceeds from issue of convertible note, net of cost		–	82,225
Proceeds from exercise of share options		–	25,159
Dividend paid to non-controlling shareholders		(1,312)	–
Proceeds from share issued under share placing		102,262	–
Repayment of promissory note		(45,000)	–
Proceeds from bank borrowings		112,115	124,059
Repayment of bank borrowings		(85,277)	(190,252)
Net cash generated from financing activities		79,744	35,138
Net (decrease)/increase in cash and cash equivalents		(151,663)	188,118
Cash and cash equivalents at the beginning of the year		249,712	88,793
Effect of foreign currency exchange rate changes		(16,086)	(27,199)
Cash and cash equivalents at the end of the year		81,963	249,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. Corporate information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. 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 the Growth Enterprise Market ("**GEM**") of the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$"000), unless otherwise stated.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the People's Republic of China (the "**PRC**"). The principal activities of its subsidiaries are set out in Note 44 to the consolidated financial statements.

As disclosed in Notes 37, pursuant to a resolution of the board of directors of the Company 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 Wanjia Group ("**Wanjia Shares**"), held by the Company to the Shareholders ("refer to the definition of the Circular issued on 27 January 2017"). 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 and the Wanjia Group will cease 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. After the distribution, the Group no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses 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 amended HKFRSs and HKASs issued by the 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 Defferal 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.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity does not need to provide a specific disclosure required by an HKFRSs if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of consolidated financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the consolidated financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. Other than such a change in presentation, the application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

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 HKFRS 15	Clarification 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 40	Transfers on Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[2]
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[5]

[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 or 1 January 2018, as appropriate.*

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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 practical.

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 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$67,048,000 as disclosed in Note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The directors of the Company do not anticipate that the application of these amendments 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 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 consolidated financial statements 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

Basis of preparation

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognisesd in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

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

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

When the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

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

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

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

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group constituting the discontinued operation.

Distribution of non-cash assets to owners

Upon loss of control of a subsidiary through distribution of shares in the subsidiary to the shareholders of the Company, the Group (a) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and (b) measures the distribution and the liability to distribute non-cash assets as a dividend to its owners at the mark price of shares in the subsidiary to be distributed.

Revenue recognition

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

(a) Sales of goods

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

(b) Provision of services

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

(c) Interest income

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Prepaid lease payments for land use rights

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

Property, plant and equipment

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

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

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

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

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

Inventories

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

Trade and other receivables

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

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible.

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

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

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

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

Current and deferred tax are recognized in profit or loss, except when they related to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

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

Financial assets

The Group's financial assets are classified into loans and receivable and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial instruments: Recognition and Measurement permits the entire combines contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates and dividend or interest earned on the financial asset and is included in the "other revenue".

Loans and receivables

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

An impairment loss is recognised in consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses were recognised, subject to a restriction that the carrying amount of the asset at the date the impairment losses reversed do not exceed what the amortised cost would have been had the impairment losses not been recognised.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Financial liabilities and equity

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

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

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Groups financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

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

Effective interest method

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

Convertible notes

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

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

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

Equity instruments

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

Financial guarantee contract

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises and associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carries at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each of the Track Record Period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Current assets and liabilities

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

Contingent liabilities and contingent assets

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

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

Cash and cash equivalents

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

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

Provisions

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

Employee benefits

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

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

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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as social security plans in the PRC, and the Group has no legal or constructive obligation to pay further contributions of any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

Share-based payment expenses

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

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

Borrowing costs

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

Segment reporting

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

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

Investment properties

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Related Parties Transactions

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner. A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

4. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in Note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Impairment of trade receivables

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

(c) Useful lives of property, plant and equipment

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

(d) Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

(e) Impairment of non-current assets

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

(f) Income taxes and deferred taxation

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

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

(g) Fair value of investment properties

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

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

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

5. Segment information

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in provision of general hospital services in the PRC. In addition, Wanjia Group Holdings Limited ("**Wanjia Group**"), which is engaged in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the 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
Inter-segment sales are charged at arm's length			
Results			
Segment results	22,932	(3,759)	19,173
Loss on early redemption of promissory note			(3,030)
Impairment loss on goodwill	(29,490)	–	(29,490)
Loss on disposal of a subsidiary	–	(326)	(326)
Gain on disposal of subsidiaries through distribution in specie	–	62,586	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	**Total**
	HK$'000	*HK$'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	Unallocated	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 disposal of subsidiaries through distribution in specie	–	–	(62,586)	(62,586)

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

Segment revenue and result

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 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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Total
	HK$'000	*HK$'000*	*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	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit generated by each segment without allocation of finance costs, loss on early redemption of promissory note, other corporate revenue, income and expenses and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

- all assets are allocated to reportable segments other than unallocated corporate assets. Unallocated corporate assets mainly include part of property, plant and equipment, cash and cash equivalents of the central administration companies. Goodwill is allocated to reportable segments as described in Note 11.

- 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 29 to the consolidated financial statements.

6. Property, plant and equipment

	Building	Furniture and fixtures	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
As at 1 April 2015	5,968	5,527	57,523	42,712	13,388	35,660	160,778
Additions	29,167	489	1,896	7,928	352	3,503	43,335
Disposals	–	–	–	–	(577)	(640)	(1,217)
Disposal of subsidiaries	–	–	–	–	–	(284)	(284)
Exchange realignment	(896)	(290)	(3,603)	(2,337)	(574)	(1,786)	(9,486)
As at 31 March 2016 and 1 April 2016	34,239	5,726	55,816	48,303	12,589	36,453	193,126
Additions	–	316	1,660	3,662	484	4,344	10,466
Addition through acquisition *(Note 12)*	–	4,447	8,842	2,220	146	1,001	16,656
Exchange realignment	(2,061)	(485)	(3,612)	(3,048)	(638)	(2,156)	(12,000)
Disposal of subsidiaries	–	–	(13,369)	–	(4,744)	(25,433)	(43,546)
Disposals	–	–	–	–	(170)	(1,089)	(1,259)
As at 31 March 2017	32,178	10,004	49,337	51,137	7,667	13,120	163,443
Accumulated depreciation							
As at 1 April 2015	1,464	4,330	28,861	26,016	7,788	20,289	88,748
Charge for the year	538	356	8,588	4,089	1,159	3,949	18,679
Written back on disposals	–	–	–	–	(391)	(275)	(666)
Disposal of subsidiaries	–	–	–	–	–	(62)	(62)
Exchange realignment	(97)	(225)	(2,272)	(1,404)	(306)	(1,041)	(5,345)
As at 31 March 2016 and 1 April 2016	1,905	4,461	35,177	28,701	8,250	22,860	101,354
Charge for the year	2,757	876	7,881	4,407	1,219	3,898	21,038
Written back on disposals	–	–	–	–	(136)	(676)	(812)
Disposal of subsidiaries	–	–	(8,823)	–	(2,661)	(15,002)	(26,486)
Exchange realignment	(177)	(277)	(2,211)	(1,813)	(407)	(1,342)	(6,227)
As at 31 March 2017	4,485	5,060	32,024	31,295	6,265	9,738	88,867
Net book values							
As at 31 March 2017	27,693	4,944	17,313	19,842	1,402	3,382	74,576
As at 31 March 2016	32,334	1,265	20,639	19,602	4,339	13,593	91,772

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

7. Prepaid lease payments

	Total
	HK$'000
Cost	
As at 1 April 2015	42,843
Additions	7,934
Exchange realignment	(2,350)
As at 31 March 2016 and 1 April 2016	48,427
Additions	–
Disposal of subsidiaries	(13,643)
Exchange realignment	(2,895)
As at 31 March 2017	31,889
Accumulated amortisation	
As at 1 April 2015	11,327
Charge for the year	1,405
Exchange realignment	(607)
As at 31 March 2016 and 1 April 2016	12,125
Charge for the year	1,323
Disposal of subsidiaries	(2,954)
Exchange realignment	(757)
As at 31 March 2017	9,737
Net book value	
As at 31 March 2017	22,152
As at 31 March 2016	36,302

	2017	2016
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current portion (include in trade and other receivables and deposits) *(Note 15)*	957	1,405
Non-current portion	21,195	34,897
	22,152	36,302

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

At 31 March 2017, prepaid lease payments with carrying amount of approximately HK$22,152,000 (2016: approximately HK$10,623,000) were pledged as collaterals to secure banking facilities granted to the Group (Note 23).

Amortisation on prepaid lease payments of approximately HK$1,323,000 (2016: approximately HK$1,405,000) have been charged to the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2017 and 2016 respectively.

8. Investment property

	2017	2016
	HK$'000	*HK$'000*
Completed investment property	–	7,199
At fair value		
As at 1 April	7,199	8,093
Fair value change	–	(490)
Exchange realignment	(423)	(404)
Disposal of subsidiaries *(Note 13)*	(6,776)	–
As at 31 March	–	7,199

The investment property amounted to approximately HK$7,199,000 of the Group were stated at fair value as at 31 March 2016. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, Asset Appraisals Limited, ("AAL"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being value. The valuations conform to the Valuation Standards published by the Hong Kong Institute of Surveyors. The completed investment property has been valued using the direct comparison approach. The direct comparison approach is adopted where comparison based on prices information of comparable property is made.

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

The analysis of the carrying amount of investment properties is as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Land in the PRC:		
Medium-term lease	–	7,199

For the year ended 31 March 2016, the Group leases out its investment properties which are shop units of a 9-storey composite building to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which all terms are renegotiable. None of the leases includes contingent rentals. Property rental income earned by the disposal group ("Wanjia Group") during the year ended 31 March 2016 was approximately HK$265,000. The property held had committed tenants for 2.6 years as at 31 March 2016. At 31 March 2016, the Group contracted with tenants for the following future minimum lease receivables:

	2017	**2016**
	HK$'000	*HK$'000*
Within one year	–	273
In the second to fifth years inclusive	–	459
	–	732

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment property unit located in the PRC	–	7,199	–	7,199

There were no transfers into or out of level 2 or level 3 during the year ended 31 March 2016.

The Group's policy to recognise transfers between levels of fair value hierarchy at the end of the date of the events or change in circumstances that caused the transfer.

As at 31 March 2016, investment property with carrying amount of approximately HK$7,199,000 were pledged as collaterals to secure banking facilities granted to the Group (Note 23).

The particulars of the investment property as at 31 March 2016 are as follows:

	Type	Tenure	Attributable interest of the Group
Shop No. 1 on Level 1, Heng Ye Building, Wusi Road, Shaowu City, Fujian Province, the PRC.	Building and land	Medium-term lease	99.80%

9. Available-for-sale financial assets

	2017	2016
	HK$'000	*HK$'000*
Available-for-sale financial assets comprise:		
Listed investments – equity securities listed in Hong Kong	7,158	–

Note:

As at 31 March 2017, the available-for-sale financial assets represents the Group's remaining investment in Wanjia Group. Since Wanjia Group was ceased to be subsidiaries of the Company after the distribution in specie on 2 March 2017 as described in Note 37, the remaining interest in Wanjia Group was reclassified as available-for-sale financial assets as at the completion date of the distribution. As at 31 March 2017, the Company recognised a fair value loss of approximately HK$754,000 in other comprehensive income in respect of the interest in Wanjia Group based on the share price of Wanjia Group at the year ended 31 March 2017.

10. Goodwill

	2017	2016
	HK$'000	*HK$'000*
Cost		
As at 1 April	1,090,050	1,091,921
Acquisition of subsidiaries *(Note 12)*	146,850	–
Disposal of subsidiaries *(Note 13)*	(785,491)	(1,852)
Exchange realignment	(20)	(19)
As at 31 March	451,389	1,090,050
Accumulated impairment losses		
As at 1 April	1,059,982	1,059,982
Impairment loss recognised	29,490	–
Disposal of subsidiaries *(Note 13)*	(785,169)	–
As at 31 March	304,303	1,059,982
Carrying amounts		
As at 31 March	147,086	30,068

Note:

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

11. Impairment testing on goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indication that goodwill might be impaired. For the purpose of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2017 and 2016 are allocated as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited ("Jiaxing Shuguang") – provision of general hospital services in the PRC	97	2,899
Fuzhou Huikang Enterprise Management Consultancy Ltd. And Zhuhai Jiulong Hospital Company Limited ("Zhuhai Jiulong") – provision of general hospital services in the PRC	139	26,827
Huihao Medicine (Quanzhou) Company Limited – pharmaceutical retail chain business in the PRC ("Quanzhou Huihao")	–	342
Beijing Tongji Hospital Co., Limited – provision of general hospital services in the PRC ("Beijing Tongji")	146,850	–
	147,086	30,068

Beijing Tongji – Provision of general hospital services in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 14.29% per annum. The cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 3% per annum by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

Jiaxing Shuguang – Provision of general hospital services in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, as the directors consider the lease term of hospital premises as the budgeted period, and a discount rate of 14.05% (2016: 14.22%) per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development. During the year ended 31 March 2017, the directors are of the view that the performance of Jiaxing Shuguang could not meet the respective project. The directors consider that an impairment loss on goodwill of approximately HK$2,802,000 should be recognised in the consolidated statement of profit or loss and other comprehensive income.

Zhuhai Jiulong – Provision of general hospital services in the PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, as the directors consider the lease term of hospital premises as the budgeted period, and a discount rate of 14.05% (2016: 14.22%) per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development. During the year ended 31 March 2017, the directors are of the view that the performance of Zhuhai Jiulong could not meet the respective projection. The directors consider that an impairment loss on goodwill of approximately HK$26,688,000 should be recognised in the consolidated statement of profit or loss and other comprehensive income.

Quanzhou Huihao – Retail of pharmaceutical and related products in the PRC

For the year ended 31 March 2016, the recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.36% per annum. The cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 8% per annum by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

12. Acquisition of subsidiaries

On 30 September 2016, the Group completed the acquisition of entire issued share capital of the Glowing Smart Investment Limited and its subsidiaries ("Glowing Smart Group"), which is principally engaged in the management and operation of a composite hospital (i.e. Beijing Tongji Hospital Co., Limited) located at the Dongcheng District in the Beijing City in the PRC. The aggregate consideration for the acquisition of sale share and the sale loan is HK$165,502,000, which is satisfied by cash amounted to HK$47,102,000 and the remaining was settled by the issue and allotment of 320,000,000 consideration shares at HK$0.37 per consideration share by the Company. The acquisition was completed on 30 September 2016.

The goodwill of approximately HK$146,850,000 arising from the acquisition is attributable to acquired customer base and market development in Beijing City.

The carrying amounts and fair value of assets acquired and liabilities recognised of Glowing Smart Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment *(Note 6)*	16,656
Cash & bank balances	7,403
Prepayments	174
Inventories	361
Other receivable	526
Trade payables and accrual	(29,989)
Net assets acquired	(4,869)
Less: amount due to ex-shareholder	23,521
Net assets acquired	18,652
Cash consideration	47,102
Share consideration	118,400
	165,502
Less: Fair value of identifiable net assets acquired	(18,652)
Goodwill arising on acquisition	146,850

	HK$'000
Net cash outflow on acquisition of subsidiaries:	
Consideration paid by cash	47,102
Cash and cash equivalents acquired	(7,403)
	39,699

Impact of acquisitions on the results of the Group

Revenue of approximately HK$30,660,000 and profit of approximately HK$6,413,000 contributed by Glowing Smart Group were recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

Had these business combination be effective at 1 April 2016, the revenue of the Group would have been approximately HK$61,040,000, and the loss for the year would have been approximately HK$12,700,000. The directors of the Group consider these number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future period.

Pursuant to the sale and purchase agreement, the vendor and the vendor guarantor irrevocably warrants and guarantees to the Group that the audited net profit after tax and extraordinary or exceptional items but before minority interests of the Glowing Smart Group (the "Actual Profit") for the twelve-month period since the completion date (the "Relevant Period") shall be not less than HK$12,000,000 (the "Guaranteed Profit"). As security for the performance of the obligations of the vendor under the profit guarantee, the vendor shall deposit all the share certificate(s) of the 320,000,000 Consideration Shares in escrow with the Company on behalf of the vendor in accordance with the terms and conditions of the escrow agreement on the completion date.

13. Disposal of subsidiaries

(a) Disposal of Nanping Huihao by Wanjia Group

On 21 February 2017, an indirect non-wholly owned subsidiary of the Company, Wanjia Group, entered into a sale and purchase agreement and agreed to sell the entire 60% equity interests in Nanping Huihao held by Fuzhou Huihao, with a consideration of RMB8,378,000 (equivalent to approximately HK$9,688,989). The disposal was completed on 21 February 2017.

Summary of the effects of the disposal of Nanping Huihao are as follows:

	HK$'000
Property, plant and equipment	1,745
Inventories	10,647
Trade receivables, prepayments and other receivables	41,997
Cash and cash equivalents	387
Trade and other payables	(32,816)
Tax payable	(122)
Net assets disposed	21,838
Loss on disposal of a subsidiary:	
Consideration received	9,689
Less: Net assets disposed of	(21,838)
Less: Release of translation reserve	(1,757)
Add: Non-controlling interest derecognised on disposal	13,580
Loss on disposal of subsidiaries, reclassified to discontinued operation	(326)
Net cash inflow arising on disposal of Nanping Huihao:	
Consideration received in cash and cash equivalents	9,689
Less: Cash and cash equivalent balances disposed of	(387)
	9,302

(b) 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 (the "Distribution"). Upon completion of the distribution, Wanjia Group ceased to be subsidiaries of the Company and accounted as available-for-sale financial assets 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 follow:

	2017
	HK$'000
Property, plant and equipment *(Note 6)*	15,315
Prepaid lease payments *(Note 7)*	10,689
Investment property *(Note 8)*	6,776
Goodwill *(Note 10)*	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 *(Note 25)*	(82,606)
Tax payables	(1,642)
Deferred tax liabilities *(Note 27)*	(122)
Net assets disposed of	241,919

	2017
	HK$'000
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
	63,148
Release of exchange difference upon disposal of the Wanjia Group	(7,974)
Initial recognition of available-for-sale financial assets	7,912
Legal and professional fee directly attributable to the Distribution	(500)
Gain on disposal of subsidiaries, reclassified to discontinued operation	62,586
Net cash outflow on disposal of subsidiaries:	
Cash and cash equivalent balance disposed of	93,344

(c) Disposal of Xiamen Huihao

On 22 October 2015, an indirect non-wholly owned subsidiary of the Company, Xiamen Huihao, entered into a sale and purchase agreement and agreed to sell the entire 60% equity interests in Xiamen Huihao held by Fuzhou Huihao, with a consideration of RMB3,266,000 (equivalent to approximately HK$4,054,000. The disposal was completed on 22 October 2015.

Summary of the effects of the disposal of Xiamen Huihao are as follows:

	HK$'000
Consideration received in cash and cash equivalents	4,054
Analysis of assets and liabilities over which control was lost:	
Goodwill	1,852
Property, plant and equipment	222
Inventories	1,139
Trade receivables, prepayments and other receivables	4,996
Cash and cash equivalents	1,947
Trade and other payables	(3,525)
Tax payable	(53)
Net assets disposed of	6,578
Loss on disposal of a subsidiary:	
Consideration received	4,054
Less: Net assets disposed of	(6,578)
Less: Release of translation reserve	(139)
Non-controlling interests	1,891
Loss on disposal	(772)
Net cash inflow arising on disposal of Xiamen Huihao:	
Consideration received in cash and cash equivalents	4,054
Less: cash and cash equivalent balances disposed of	(1,947)
	2,107

The loss on disposal is included in the loss for the year in the consolidated statement of profit or loss and other comprehensive income. For the period from 1 April 2015 to the date of disposal, Xiamen Huihao was engaged in wholesales and distribution of pharmaceutical and related products in the PRC. Revenue of approximately HK$5,969,000 and loss of approximately HK$761,000 contributed by Xiamen Huihao was recognised in the Group's loss for the year ended 31 March 2016.

14. Inventories

	2017	**2016**
	HK$'000	*HK$'000*
Finished goods	8,931	118,574

15. Trade and other receivables and deposits

	2017	**2016**
	HK$'000	*HK$'000*
Trade receivables	14,792	211,052
Bill receivables	–	5,854
Prepayments and deposit paid	24,981	74,320
Prepaid lease payments *(Note 7)*	957	1,405
Other receivables	9,629	57,059
	50,359	349,690
Less: Impairment loss recognised in respect of other receivables	(8,928)	(10,439)
	41,431	339,251

The individually impaired other receivables related to debtors that were in financial difficulties and the directors of the Company assessed that the amounts are not expected to be recovered based on past default experience, payment history and subsequent settlement of the debtors.

Included in the Group's other receivables as at 31 March 2016 were mainly comprised of value added tax ("VAT") recoverable of approximately HK$7,997,000, loan to independent third parties of approximately HK$14,398,000) which is unsecured, carries interest at 6% per annum and is recoverable on demand.

As at 31 March 2016, bills receivable of approximately HK$5,854,000 will be matured within six months after the end of the reporting period. All the bills receivable are denominated in RMB.

Payment terms with customers from the pharmaceutical wholesale and distribution and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. Payment terms with customers from general hospital and healthcare and hospital management services are normally payable from 0 to 30 days. The 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

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables are past due at the end of the reporting period but the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The individually impaired trade receivables related to customers that were in financial difficulties and the directors of the Company assessed that the amounts are not expected to be recovered based on past default experience, payment history and subsequent settlement of the customers.

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

Ageing of trade receivables that are past due but not impaired

	2017	2016
	HK$'000	*HK$'000*
Overdue by:		
1 to 90 days	1,487	41,268
91 to 180 days	684	8,279
Over 180 days	–	–
Total	2,171	49,547

Movements in the provision for impairment loss of trade receivables

	2017	2016
	HK$'000	*HK$'000*
As at 1 April	7,280	6,814
Impairment losses reversed	(104)	(846)
Impairment losses recognised	264	1,662
Disposal of subsidiaries	(5,067)	–
Exchange realignment	(431)	(350)
As at 31 March	1,942	7,280

Ageing of impaired trade receivables

	2017	2016
	HK$'000	*HK$'000*
Over 365 days	1,942	7,280

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

	2017	2016
	HK$'000	*HK$'000*
As at 1 April	10,439	7,006
Impairment losses reversed	(9)	(64)
Impairment losses recognised	41	3,933
Disposal of subsidiary	(915)	–
Exchange realignment	(628)	(436)
As at 31 March	8,928	10,439

16. Derivative financial instruments

	Redemption option contract
	HK$'000
As at 1 April 2015	284
Fair value change	17
As at 31 March 2016 and 1 April 2016	301
Fair value change	(301)
As at 31 March 2017	–

Note:

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

17. Cash and cash equivalents and pledged bank deposits

As at 31 March 2017, cash and cash equivalent of the Group included currencies denominated in Renminbi ("RMB") amounted to approximately HK$67,751,000 (2016: approximately HK$209,011,000). The RMB is not freely convertible into other currencies, but conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorization to conduct foreign exchange business.

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

As at 31 March 2017, no bank deposits of the Group (2016: HK$6,096,000) were pledged as collateral to secure banking facilities granted to the Group. The pledged bank deposits as at 31 March 2016 carried interest at 3.5% per annum and were denominated in RMB.

18. Share capital

	Number of share	**Amount**
		HK$'000
Authorised:		
Ordinary shares		
Ordinary shares of HK$0.01 each – at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	110,000,000,000	1,100,000
Non-voting convertible preference shares		
Non-voting convertible preference shares of HK$0.01 each preference shares of HK$0.01 each – at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	40,000,000,000	400,000

	Number of share	Amount
		HK$'000
Issued and fully paid:		
Ordinary shares		
Ordinary shares of HK$0.01 each		
– at 1 April 2015	1,661,589,944	16,616
– exercise of share options *(Note (b))*	37,660,000	377
Ordinary shares of HK$0.01 each		
– at 31 March 2016 and 1 April 2016	1,699,249,944	16,993
– Issue of share under placing, net of transaction cost *(Note (c))*	339,000,000	3,390
– Issue of share due to acquisition of subsidiary *(Note (d))*	320,000,000	3,200
Ordinary shares of HK$0.01 each		
– at 31 March 2017	2,358,249,944	23,583
Non-voting convertible preference shares (note (a))		
Non-voting convertible preference shares of HK$0.01 each		
– at 1 April 2015, 31 March 2016, 1 April 2016, 31 March 2017	98,500,000	985

Note:

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

(b) During the year ended 31 March 2016, share options of 2,500,000 and 35,160,000 were exercised at the subscription price of HK$0.5 and HK$0.68 per share respectively. The total cash consideration of the issuance 37,660,000 shares were approximately HK$25,159,000 and approximately HK$7,541,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(c) On 10 August 2016, 339,000,000 shares were issued by way of placing at a price of HK$0.31 share for net proceed of approximately HK$102,262,000 in respect of the purpose for the payment of the refundable deposit in relation to acquisition of subsidiaries, early redemption of part of the outstanding Promissory Notes and used for general working capital for the Group.

(d) On 30 September 2016, 320,000,000 shares were issued by the Company as part of the consideration of acquisition of Glowing Smart Group, the share price as at the completion date was HK$0.37 per share.

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

19. Reserves

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

(b) During the year ended 31 March 2016, the Company had no distributable reserves (including share premium, capital reserve and retained profits/(accumulated loss)). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account and capital reserve of the Company.

(c) As at 31 March 2017, the Company had negative revaluation reserve of approximately HK$754,000, which was generated from the loss of fair value change for the available-for-sale financial assets.

20. Statement of financial position of the Company

As at 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	108,692	279,703
Property, plant and equipment	9	12
	108,701	279,715
Current assets		
Other receivables and deposits	373	382
Derivative financial instruments	–	301
Cash and bank balances	13,175	15,905
Amounts due from subsidiaries	174,324	60,268
	187,872	76,856
Total assets	296,573	356,571
EQUITY		
Capital and reserves		
Share capital	24,568	17,978
Reserves	(53,115)	(26,989)
Equity attributable to owners of the Company	(28,547)	(9,011)
LIABILITIES		
Current liabilities		
Accruals and other payables	1,256	1,109
Amounts due to subsidiaries	284,209	284,180
	285,465	285,289

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible note	6,444	5,911
Promissory note	33,021	74,104
Deferred taxation	190	278
	39,655	80,293
Total liabilities	325,120	365,582
Total equity and liabilities	296,573	356,571
Net current liabilities	(97,593)	(208,433)
Total assets less current liabilities	11,108	71,282

21. Reserve of the Company

	Share premium	Capital reserve	Share-based payment	Contributed surplus	Convertible note reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2015	318,938	295,610	188	1,452	2,537	(657,595)	(38,870)
Equity-settled share-based payments	–	–	19,376	–	–	–	19,376
Exercise of share options	32,323	–	(7,541)	–	–	–	24,782
Loss for the year	–	–	–	–	–	(32,277)	(32,277)
As at 31 March 2016 and 1 April 2016	351,261	295,610	12,023	1,452	2,537	(689,872)	(26,989)
Equity-settled share-based payments	–	–	4,401	–	–	–	4,401
Lapse of share option	–	–	(144)	–	–	144	–
Acquisition of subsidiaries	115,200	–	–	–	–	–	115,200
Issue of shares pursuant to placing, net	98,872	–	–	–	–	–	98,872
Distribution in specie	(165,094)	–	–	–	–	–	(165,094)
Loss for the year	–	–	–	–	–	(79,505)	(79,505)
As at 31 March 2017	400,239	295,610	16,280	1,452	2,537	(769,233)	(53,115)

22. Trade and other payables

	2017	2016
	HK$'000	*HK$'000*
Trade payables	17,885	182,448
Bills payables	–	16,308
Receipts in advance	1,027	18,989
Accruals and other payables	19,894	54,026
	38,806	271,771

Included in the Group's receipts in advance as at 31 March 2017 were deposits received from customers of approximately HK$357,000 (2016: HK$17,986,000).

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.

23. Bank borrowings

	2017	2016
	HK$'000	*HK$'000*
Bank borrowings – secured *(Notes (a) and (b))*	13,081	50,395

	2017	2016
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year shown under current liabilities	13,081	50,395

Notes:

(a) As at 31 March 2017, the secured bank borrowings of approximately HK$13,081,000 (2016: approximately HK$35,997,000) carries variable interest rate at 6.53% (2016: 4.30% to 5.66%) per annum.

As at 31 March 2016, secured bank borrowings of approximately HK$14,398,000 carried fixed interest rate at 6.42% per annum.

As at 31 March 2017 and 2016, the secured bank borrowings were secured by certain prepaid lease payment (Note 7), and were secured by personal guarantee by a director of a subsidiary.

(b) The carrying amount of the Group's bank borrowings are all denominated in RMB.

24. Amounts due to non-controlling shareholders

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

25. Convertible note

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

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

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

The Convertible Note which issued on 9 May 2007 (the "Convertible Note I") recognised in the consolidated statement of financial position was calculated as follows:

	HK$'000
Fair value of Convertible Note issued on 9 May 2007	54,750
Derivative financial instruments	514
Equity component	(25,125)
Liability component on initial recognition and amortised cost at 9 May 2007	30,139
Amortised cost as at 1 April 2015	5,432
Interest expense	609
Interest payable	(130)
Amortised cost as at 31 March 2016 and 1 April 2016	5,911
Interest expense	663
Interest payable	(130)
As at 31 March 2017	6,444

As at 31 March 2017, the outstanding principal amount of Convertible Note was HK$6,500,000 (2016: HK$6,500,000).

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

The Convertible Note issued on 1 June 2015 (the "Convertible Note II"), the maturity date of Convertible Note II was from 1 June 2015 to 31 May 2017. The conversion share price was HK$0.65.

The Convertible Note II contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible notes reserve".

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

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

	HK$'000
Fair value of Convertible Note II issued on 1 June 2015	84,292
Equity component	(9,866)
Liability component on initial recognition and amortised cost as at 1 June 2015	74,426
Amortised cost as at 1 April 2015	–
Issue of Convertible Note II	74,426
Transaction costs attributable to issue of Convertible Note II	(1,825)
Interest expense	8,277
Interest payable	(3,611)
Amortised cost as at 31 March 2016 and 1 April 2016	77,267
Interest expense	9,454
Interest payable	(4,115)
Disposal of subsidiaries *(Note 13)*	(82,606)
As at 31 March 2017	–

During the year, the Company had disposed the Wanjia Group by way of distribution in specie, since the Wanjia Group is no longer the subsidiaries of the Company, the Convertible Notes II was disrecognised as at the completion date of the distribution.

Interest expense on the Convertible Note II is calculated using the effective interest method by applying the effective interest rate of 13.11% to the liability component.

26. Promissory note

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

	HK$'000
As at 1 April 2015	72,712
Interest expense	2,192
Interest payable	(800)
As at 31 March 2016 and 1 April 2016	74,104
Early redemption	(41,970)
Interest expense	1,384
Interest payable	(497)
As at 31 March 2017	33,021

During the year ended 31 March 2017, aggregate amount of approximately HK$41,970,000 was early redeemed by the Company. Loss on early redemption of approximately HK$3,030,000 was recognised in relation to the early redemption.

As at 31 March 2017, the outstanding principal of the Promissory Note was HK$35,000,000 (2016: HK$80,000,000).

27. Deferred tax liabilities

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

Deferred tax liabilities:

	Convertible notes
	HK$'000
As at 1 April 2015	357
Issuance of Convertible Note	1,929
Credited to profit or loss *(Note 34)*	(1,445)
As at 31 March 2016 and 1 April 2016	841
Disposal of subsidiaries *(Note 13)*	(122)
Credited to profit or loss *(Note 34)*	(529)
As at 31 March 2017	190

At the end of the reporting period, the Group has unutilised tax losses of approximately HK$41,654,000 (2016: HK$41,695,000) available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits streams of the subsidiaries which incurred the tax losses. These tax losses in Hong Kong may be carried forward indefinitely and the tax losses in PRC may be expired within five years.

28. Share option scheme

Post-listing share options

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

The Company also adopted a new share option scheme (the ''New Share Option Scheme'') on 10 August 2011, the Company may grant options not less than the highest of (1) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (2) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of the grant; and (3) the nominal value of the share on the date of grant to any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. The total numbers of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded. Any grant of options to a connected person (including but not limited to a director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). No participant shall be granted an option, if exercise in full, would result in the total number of share issued and to be issued upon exercise of the options granted to him or her that for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue. The share options are exercisable for a period not later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme.

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

	Number of share options							
Type of Participants	Outstanding as at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2017	Date of grant	Exercise price per share	Exercise period
Directors								
Mr. Zheng Gang	4,410,000	–	–	–	4,410,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Jiang Tao	4,410,000	–	–	–	4,410,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Huang Jiaqing	4,200,000	–	–	–	4,200,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Mr. Yung Ka Chun (appointed as the Company executive director on 20 April 2015)	3,960,000	–	–	–	3,960,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Wong Yu Man, James	1,000,000	–	–	–	1,000,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Mr. Tang Xun	3,000,000	–	–	–	3,000,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Employees	459,739	–	–	(459,739)	–	13 July 2006	HK$3.61	13 July 2006 to 12 July 2016
	1,042,253	–	–	(1,042,253)	–	21 March 2007	HK$2.94	21 March 2007 to 20 March 2017
	450,000	–	–	–	450,000	30 March 2009	HK$0.50	30 September 2009 to 29 March 2019
	43,660,000	–	–	–	43,660,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
	66,591,992	–	–	(1,501,992)	65,090,000			
Weighted average exercise price	HK$0.73	–	–	HK$3.15	HK$0.68			

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

Type of Participants	Number of share options: Outstanding at 1 April 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 March 2016	Date of grant	Exercise price per share	Exercise period
Directors									
Mr. Yung Kwok Leong (Resigned as the Company executive director on 20 April 2015)	1,700,000	–	(1,700,000)	–	–	–	30 March 2009	HK$0.50	30 September 2009 to 29 March 2019
Mr. Zheng Gang	–	7,350,000	(2,940,000)	–	–	4,410,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Jiang Tao	800,000	–	(800,000)	–	–	–	30 March 2009	HK$0.50	30 September 2009 to 29 March 2019
	–	7,350,000	(2,940,000)	–	–	4,410,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Huang Jiaqing	–	7,000,000	(2,800,000)	–	–	4,200,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Mr. Yung Ka Chun (appointed as the Company executive director on 20 April 2015)	–	6,600,000	(2,640,000)	–	–	3,960,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Dr. Wong Yu Man, James	–	1,000,000	–	–	–	1,000,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Mr. Tang Xun	–	3,000,000	–	–	–	3,000,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
Employees	459,739	–	–	–	–	459,739	13 July 2006	HK$3.61	13 July 2006 to 12 July 2016
	1,042,253	–	–	–	–	1,042,253	21 March 2007	HK$2.94	21 March 2007 to 20 March 2017
	450,000	–	–	–	–	450,000	30 March 2009	HK$0.50	30 September 2009 to 29 March 2019
	–	67,700,000	(23,840,000)	(200,000)	–	43,660,000	16 April 2015	HK$0.68	18 April 2015 to 17 April 2018
	4,451,992	100,000,000	(37,660,000)	(200,000)	–	66,591,992			
Weighted average exercise price	HK$1.16	HK$0.68	HK$0.67	HK$0.68	–	HK$0.73			

The post-listing share options outstanding at 31 March 2017 had weighted average remaining contractual life of 1.05 (2016: 2.97) years.

Notes:

(i) The Group recognises the fair value of share options granted as an expense in the consolidated statement of profit or loss and other comprehensive income when they were granted with a corresponding increase being recognised in share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the consolidated statement of profit or loss and other comprehensive income of the respective periods. During the year ended 31 March 2017, HK$4,401,000 (2016: HK$19,376,000) share-based payment expenses were recognised.

(ii) The estimated fair value of each option granted on 13 July 2006, 21 March 2007, 30 March 2009 and 16 April 2015 are approximately HK$0.226, HK$0.0384, range from HK$0.012 to HK$0.021 and HK$0.2401 respectively.

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

	Share option grant date			
Date of grant	**13 July 2006**	**21 March 2007**	**30 March 2009**	**16 April 2015**
Stock asset price	HK$0.83	HK$0.51	HK$0.03	HK$0.594
Exercise price	HK$0.627	HK$0.51	HK$0.05	HK$0.68
Expected volatility	57.06%	119.62%	100.13%	71.54%
Risk-free rate	3.984%	3.682%	1.62%	0.664%
Expected dividend yield	0%	0%	0%	0%

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

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

(iv) As at 31 March 2017, 65,090,000 (2016: 66,591,992) share options are exercisable.

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

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

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

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

(vi) In accordance with the terms of share-based arrangement, the share options granted on 16 April 2015 are exercisable in the following manner:

(a) up to 40% of the share options granted to each grantee shall be exercisable on or after 18 April 2015 to 17 April 2016;

(b) up to 30% of the share options granted to each grantee shall be exercisable on or after 18 April 2016 to 17 April 2017; and

(c) up to 30% of the share options granted to each grantee shall be exercisable on or after 18 April 2017 to 17 April 2018 and in each case, not later than 17 April 2018.

29. Revenue, 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

30. Loss from operations

Loss from operations has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operation		
Directors' remuneration *(Note 31)*	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	1,636
– 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

31. Directors' remuneration

The remuneration of every director for the years ended 31 March 2017 and 2016 are set out below:

	Fees		Salaries and other benefits		Retirement benefits scheme contributions		Share-based payment expenses		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors										
Jiang Tao	–	–	1,690	1,690	18	18	336	1,641	2,044	3,349
Zheng Gang	–	–	1,777	1,807	18	18	336	1,641	2,131	3,466
Huang Jiaqing	–	–	128	120	–	–	321	1,563	449	1,683
Yung Ka Chun	–	–	600	568	18	18	287	1,215	905	1,801
Lin Jinzong (appointed on 11 November 2016)	–	–	140	–	7	–	–	–	147	–
Yung Kwok Leong (resigned on 20 April 2015)	–	–	–	40	–	2	–	–	–	42
	–	–	4,335	4,225	61	56	1,280	6,060	5,676	10,341
Non-executive directors										
Wong Yu Man, James	–	–	120	120	6	6	46	223	172	349
Tang Xun	–	–	60	59	–	–	137	670	197	729
Chan Chi Ming, Tony (appointed on 11 November 2016)	–	–	23	–	–	–	–	–	23	–
	–	–	203	179	6	6	183	893	392	1,078
Independent non- executive directors										
Wong Ka Wai, Jeanne	120	120	–	–	–	–	–	–	120	120
Hu Shanlian	75	60	–	–	–	–	–	–	75	60
Lu Chuanzhen	75	60	–	–	–	–	–	–	75	60
Zhang Bin (appointed on 25 October 2016)	42	–	–	–	–	–	–	–	42	–
	312	240	–	–	–	–	–	–	312	240
	312	240	4,538	4,404	67	62	1,463	6,953	6,380	11,659

During the years ended 31 March 2017, the executive director of the Company, Mr. Jiang Tao was also the chief executive officer of the Company (2016: Mr. Yung).

During the year ended 31 March 2017, no emoluments were paid by the Group to the directors or chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive officer has waived or has agreed to waive any emoluments during the year (2016: Nil).

32. Employees' emoluments

Senior management emoluments and five highest paid employees

The five highest paid individuals during the year included four (2016: four) directors. Details of whose remuneration are set out in Note 31 to the consolidated financial statements.

For the year ended 31 March 2017, the details of the remuneration of the remaining one (2016: one) non-directors, highest paid employees are as follows:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Basic salaries and allowances	1,025	1,413
Retirement benefits scheme contributions	18	–
Share-based payment expenses	87	–
	1,130	1,413

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

	2017	2016
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	1	1

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

	2017	2016
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	1	1

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

None of the senior management or the five highest paid individuals has waived or has agreed to waive any emoluments during the year (2016: Nil).

33. Finance costs

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operation		
Interest on:	1,068	298
– bank borrowing		
– convertible note *(Note 25)*	663	609
– promissory note *(Note 26)*	1,384	2,192
	3,115	3,099

34. Taxation

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate. 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)
Continuing operations		
Current tax:		
– PRC Enterprise Income Tax	4,106	2,863
– Under-provision in prior year	–	–
Deferred tax:		
– Current year credit *(Note 27)*	(529)	(79)
	3,577	2,784

A reconciliation of the income tax expense applicable to loss before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Loss before taxation	(29,785)	(28,850)
Notional tax on profit before tax, calculated at rates applicable to profits in the tax jurisdiction concerned	(7,295)	(4,896)
Tax effect of expenses and income not deductible or taxable for tax purposes	8,561	4,826
Under-provision in prior year	–	–
Tax effect of tax losses not recognised	2,311	2,854
Taxation	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.

35. 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)
Less: Dividends to holders of convertible preference shares	(6,619)	–
Profit/(loss) attributable to holders of ordinary shares of the Company	3,589	(43,372)
Weighted average number of ordinary shares in issue	2,075,214	1,690,471

From continuing operation

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Profit/(loss) for the year attributable to holders of ordinary shares of the Company	3,589	(43,372)
Less:		
(Profit)/loss for the year from discontinued operation	(48,063)	18,372
Loss for the year from continuing operations	(44,474)	(25,000)
Weighted average number of ordinary shares in issue	2,075,214	1,690,471

From discontinued operation

Basic loss per share from discontinued operations is HK2.32 cents (2016: loss HK1.09 cents), based on the profit for the year from discontinued operations attributable to owner 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 from continuing and discontinued operation and from continuing operation 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, convertible preference shares 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.

For the year ended 31 March 2017, diluted earnings per share from discontinued operation is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding after adjustment for the potential dilutive effect in respective of the potential ordinary shares to be issued on convertible notes outstanding and convertible preference shares during the year. For the year ended 31 March 2017, diluted earnings per share is HK2.21 cents. For the year ended 31 March 2016, diluted loss per share from discontinued operation 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, convertible preference shares and the Company's share options, since their conversion and exercise would result in an anti-dilutive effect on loss per share during the year ended 31 March 2016.

36. 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 37 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 in specie 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 *(Note (a) and (b))*	(22,777)	(13,462)
Gain on disposal of subsidiaries *(Note 13(b))*	62,586	–
Profit/(loss) from discontinued operation	39,809	(13,462)

(a) Analysis of the results of the discontinued operations 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)
Earning/(loss) per share attributable to owners of the Company From discontinued operation		
– Basic *(HK cents per share)*	2.32	(1.09)
– Diluted *(HK cents per share)*	2.21	(1.09)

(b) Loss before taxation from discontinued operations is arrived at after charging the following:

For the period ended 2 March 2017

	From 1/4/2016 to 2/3/2017	2016
	HK$'000	*HK$'000*
Staff cost	82,531	73,925
Loss on disposal of property, plant and equipment	387	337
Amortization on prepaid lease payment	344	365
Depreciation on property, plant and equipment	5,426	6,449
Operating lease rentals in respect of land and building	25,521	29,609

(c) Analysis of the cash flow of discontinued operations is as follows:

For the period ended 2 March 2017

	From 1/4/2016 to 2/3/2017	2016
	HK$'000	*HK$'000*
Cash flows from discontinued operations		
Net cash generated from operating activities	(120,492)	183,587
Net cash generated from investing activities	3,557	6,750
Net cash generated from/(used in) financing activities	29,411	(11,659)
Net cash (outflow)/inflow	(87,524)	178,678

37. Dividends

	2017	2016
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.

38. Pledged assets

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

	2017	2016
	HK$'000	*HK$'000*
Pledged bank deposits *(Note 17)*	–	6,096
Prepaid lease payments *(Note 7)*	22,152	10,623
Investment property *(Note 8)*	–	7,199
	22,152	23,918

39. Operating lease commitments

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	15,575	35,030
In the second to fifth years inclusive	50,689	79,330
Over five years	784	26,711
	67,048	141,071

40. Change in ownership interests in subsidiaries

During the year ended 31 March 2016, the Group further acquired 0.51% equity interest of Huihao Sihai by way of increasing the registered capital of RMB40,000,000 from RMB15,856,000 to RMB55,856,000 of the capital of Huihao Sihai.

41. Non-cash transactions

The Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows for the year ended 31 March 2017:

- As disclosed in Notes 37, the Company disposed of the Wanjia Group by way of distribution in specie of up to 393,080,000 Wanjia share to the qualifying shareholder of the Company. The distribution was made by way of allocating 4 Wanjia Shares for every 25 Shares held by the Company's shareholders. As a result, the Group's equity interest in Wanjia Group decreased from 63.53% to 2.90%, the Wanjia Group ceased to became a subsidiary of the Company and reclassified as available-for-sale financial asset.

- As disclosed in Note 12, the Company issued 320,000,000 shares as part of the consideration for the acquisition of Glowing Smart Group. The fair value of each issued share was HK$0.37, which was based on the market value at completion date. The aggregate fair value of consideration for the acquisition by issued share was approximately HK$118,400,000.

42. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

43. Material related party transactions

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

(a) Key management personnel

Remuneration for key personnel management represented amount paid to the Company's directors as detailed in Note 31 as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Short-term employee benefits	4,917	4,706
Share-based payment expenses	1,464	6,953
	6,381	11,659

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

Name of related parties	**Nature of transactions**	**2017**	**2016**
		HK$'000	*HK$'000*
Fujian Huihao Pharmaceutical Chain Company Limited	Rental fee paid	1,025	1,185
Mother of Mr. Yung Ka Chun	Rental fee paid	66	78

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

44. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 March 2017 are as follows:

Name of subsidiary	Place and date of incorporation/ registration and operation	Class of share held	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group				Principal activities
				Direct		Indirect		
				2017	2016	2017	2016	
				%	%	%	%	
Fujian Maidsen Enterprises |Company Limited #	The PRC	Registered	RMB40,000,000	–	–	100	100	Provision of healthcare hospital management services
Edward Hospital Company Limited #	The PRC	Registered	RMB40,000,000	–	–	55	55	Provision of general hospital services
Jiaxing Shuguang #	The PRC	Registered	RMB15,000,000	–	–	55	55	Provision of general hospital services
Zhuhai Zhongkangan Enterprises Management Limited #	The PRC	Registered	HK$3,000,000	–	–	100	100	Provision of healthcare and hospital management services
Beijing Tongji Andrology Hospital Co., Ltd	The PRC	Registered	RMB20,000,000	–	–	100	–	Provision of hospital services
Wanjia Group Holdings Limited	Cayman Islands	Ordinary	HK$6,484,000	–	–	–	63.53	Investment holdings
Hui Hao (HK) Group Limited ("Huihao Hong Kong")	Hong Kong	Ordinary	HK$1,000,000	–	–	–	63.53	Investment holdings
Luxuriant Expand Global Investment Limited	British Virgin Island	Ordinary	US$100/US$50,000	–	–	–	63.53	Investment holdings
Timely Hero Enterprises Limited	British Virgin Island	Ordinary	US$1/US$50,000	–	–	–	63.53	Investment holdings
Nurture Fit Limited Island	British Virgin	Ordinary	US$1/US$50,000	–	–	–	63.53	Investment holdings
Fujian Province Fuzhou City Huihao Pharmaceutical Co., Limited ("Fuzhou Huihao")	The PRC	Registered	RMB80,000,000	–	–	–	47.65	Pharmaceutical wholesale and distribution business in the PRC
Putian Huihao Medicine Co., Limited ("Putian Huihao")	The PRC	Registered	RMB10,000,000	–	–	–	47.65	Pharmaceutical wholesale and distribution business in the PRC
Fujian Huiming Medicine Co., Limited ("Fujian Huiming")	The PRC	Registered	RMB20,000,000	–	–	–	47.65	Pharmaceutical wholesale and distribution business in the PRC
Fujian Huihao Sihai Pharmaceutical Chain Company Limited ("Huihao Sihai") #	The PRC	Registered	RMB15,856,000	–	–	–	63.04	Pharmaceutical retail chain business in the PRC
Huihao Medicine (Quanzhou) Co., Ltd #	The PRC	Registered	RMB10,000,000	–	–	–	47.65	Pharmaceutical Wholesale and distribution business in the PRC

Name of subsidiary	Place and date of incorporation/ registration and operation	Class of share held	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group				Principal activities
				Direct		Indirect		
				2017	2016	2017	2016	
				%	%	%	%	
Huihao Pharmaceutical (Nanping) Company Limited #	The PRC	Registered	RMB12,500,000	–	–	–	28.59	Pharmaceutical Wholesale and distribution business in the PRC
Shanghai Whole-Care Hospital Management Co., Limited	The PRC	Registered	RMB10,000,000	–	–	100	100	Provision of healthcare and hospital management services
Fuzhou Jianhui Enterprise Management Consultancy Limited	The PRC	Registered	RMB1,000,000	–	–	100	100	Investment holding
Fuzhou Huikang Enterprise Management Consultancy Limited	The PRC	Registered	RMB1,000,000	–	–	100	100	Investment holding
Zhuhai Jiulong Hospital Company Limited	The PRC	Registered	RMB10,000,000	–	–	100	100	Provision of healthcare and hospital management services
莆田市恒佳貿易有限公司	The PRC	Registered	RMB20,000,000	–	–	100	–	Investment holding
福建潤恒企業管理咨詢有限公司	The PRC	Registered	RMB12,000,000	–	–	100	–	Investment holding

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

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

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

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

Name of subsidiary	Place of Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wanjia Group	The PRC	–%	36.47%	–	(5,940)	–	159,973
Edward Hospital	The PRC	45%	45%	2,962	1,786	33,538	33,878
Jiaxing City Shuguang Western	The PRC	45%	45%	1,532	1,066	15,523	14,923

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

Wanjia Group

	2016
	HK$'000
Current assets	609,526
Non-current assets	37,272
Current liabilities	278,444
Non-current liabilities	77,830
Equity attributable to owners of the Company	222,744
Non-controlling interests	67,780
Revenue	1,321,763
Loss for the year	(13,462)
Loss attributable to owners of the Company	(13,802)
Loss attributable to non-controlling interests	340
Loss for the year	(13,462)

	2016
	HK$'000
Total comprehensive loss attributable to owners of the Company	(29,935)
Total comprehensive loss attributable to non-controlling interests	(2,451)
Total comprehensive loss for the year	(32,386)
Dividends paid to non-controlling interests	–
Net cash generated from operating activities	183,586
Net cash generated from investing activities	6,750
Net cash used in from financing activities	(11,658)
Net increase in cash and cash equivalents	178,678

Edward Hospital

	2017	2016
	HK$'000	*HK$'000*
Current assets	35,387	45,081
Non-current assets	55,572	62,888
Current liabilities	25,048	32,685
Non-current liabilities	–	–
Equity attributable to owners of the Company	31,061	41,406
Non-controlling interests	29,660	33,878
Revenue	95,031	100,094
Profit for the year	6,583	3,970
Profit attributable to owners of the Company	3,621	2,184
Profit attributable to non-controlling interests	2,962	1,786
Profit for the year	6,583	3,970

	2017	2016
	HK$'000	*HK$'000*
Total comprehensive income attributable to owners of the Company	(210)	(809)
Total comprehensive income attributable to non-controlling interests	972	(177)
Total comprehensive income for the year	762	(986)
Dividends paid to non-controlling interests	1,312	–
Net cash generated from operating activities	15,924	22,863
Net cash used in investing activities	(2,456)	(34,704)
Net cash (used in)/generated from financing activities	(14,098)	18,277
Net cash (decrease)/increase in cash and cash equivalents	(630)	6,436

Jiaxing City Shuguang Western

	2017	2016
	HK$'000	*HK$'000*
Current assets	30,625	29,061
Non-current assets	8,415	9,849
Current liabilities	4,545	5,747
Non-current liabilities	–	–
Equity attributable to owners of the Company	18,972	18,240
Non-controlling interests	15,523	14,923
Revenue	61,443	66,129
Profit for the year	3,405	2,369
Profit attributable to owners of the Company	1,873	1,303
Profit attributable to non-controlling interests	1,532	1,066
Profit for the year	3,405	2,369
Total comprehensive income attributable to owners of the Company	1,338	839
Total comprehensive income attributable to non-controlling interests	600	297
Total comprehensive income for the year	1,938	1,136

	2017	2016
	HK$'000	*HK$'000*
Dividends paid to non-controlling interests	–	–
Net cash generated from/(used in) operating activities	15,554	(5,245)
Net cash generated from/(used in) investing activities	5,926	(2,880)
Net cash generated from financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	21,480	(7,525)

(c) Significant restrictions

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

45. Capital risk management

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

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

Gearing ratio

The gearing ratios at 31 March 2017 and 2016 were as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Debt *(note (a))*	52,546	223,985
Cash and cash equivalents	(81,963)	(249,712)
Net debt	N/A	N/A
Equity *(note (b))*	243,613	181,965
Gearing ratio	N/A	N/A

Notes:

(a) Debt comprises bill payables, bank borrowings, convertible note and promissory note as detailed in notes 23, 25 and 26 respectively.

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

46. Financial instruments

(a) Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Available-for-sales financial asset – at fair value	7,158	–
Loans and receivables (including cash and cash equivalents)	109,230	530.074
Derivative financial instruments classified as fair value through profit or loss	–	301
Financial liabilities		
Amortised cost	91,260	480,110

(b) Financial risk management objectives and policies

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

(i) Market risk

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

Market risk exposures are measured using sensitivity analysis.

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

Foreign currency risk management

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

Interest rate risk management

The Group is also exposed to market interest rate risk mainly in relation to floating rate bank borrowings (Note 23). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate published by the People's Bank of China arising from the Group's RMB denominated borrowings.

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2017 would decrease/increase by HK$43,650 (2016: HK$56,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year ended 31 March 2017.

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

(ii) Credit risk

As at 31 March 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

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

The Group's concentration of credit risk by geographical location mainly arised in the PRC. As at 31 March 2017, the Group's concentration of credit risk by customers is approximately 83.9% of trade receivables due from the Group's five largest customers (2016: 19.1%).

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade and other receivables consist of a large number of customers, spread across diverse industries.

(iii) Liquidity risk management

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

As at 31 March 2017, the Group has available unutilised short and medium term bank loan facilities of approximately HK$3,834,000 (2016: HK$20,878,000) respectively.

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

At 31 March 2017

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	37,778	–	–	37,778	37,778
Bank borrowing	6.53%	13,623	–	–	13,623	13,081
Amounts due to non-controlling interests	–	936	–	–	936	936
Convertible notes	10.97%	6,500	–	–	6,500	6,444
Promissory note	3.0%	–	35,000	–	35,000	33,021
		58,837	35,000	–	93,837	91,260

At 31 March 2016

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	271.771	–	–	271,771	271,771
Bank borrowings	6.18%	55,030	–	–	55,030	50,395
Amounts due to non-controlling interests	–	662	–	–	662	662
Convertible note	12.96%	–	90,792	–	90,792	83,178
Promissory note	3.0%	–	80,000	–	80,000	74,104
		327,463	170,792	–	498,255	480,110

(c) Fair value measurements

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

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

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

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 March 2017	31 March 2016		
	HK$'000	*HK$'000*		
Financial assets				
Derivative financial instruments	–	301	Level 3	Binominal Model. Instruments Key inputs share price, volatility, time to maturity and conversion price.
Available-for-sale financial asset	7,158	–	Level 1	Quoted bid prices in an active market

During the years ended 31 March 2017 and 2016, there were no transfers of fair value measurements between Level 1 and Level 2, and there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

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

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

	As at 31 March 2017		As at 31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible note	6,444	6,455	83,178	81,129
Promissory note	33,021	27,388	74,104	58,881

Fair value measurements recognised in the consolidated statement of financial position

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

	Fair value hierarchy as at 31 March 2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Available-for-sales Financial asset	7,158	–	–	7,158

	Fair value hierarchy as at 31 March 2016			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Derivative financial instruments	–	–	301	301

Reconciliation of Level 3 fair value measurements

31 March 2017

The movement during the year ended 31 March 2017 in the balance of Level 3 fair value measurement is as follows:

	Redemption option embedded in convertible note
	HK$'000
As at 1 April 2016	301
Change in fair value recognised in profit or loss	(301)
As at 31 March 2017	–

31 March 2016

The movement during the year ended 31 March 2016 in the balance of Level 3 fair value measurement is as follows:

	Redemption option embedded in convertible note
	HK$'000
As at 1 April 2015	284
Change in fair value recognised in profit or loss	17
As at 31 March 2016	301

47. Subsequent event

On 27 April 2017, Sino Business Investment Development Limited, as purchaser, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Vanhal Property Investment Limited, 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 and the shareholder's loan at the consideration of HK$2,091,500.

48. Comparative figures

Certain comparative figures have been restated to conform to the presentation of discontinued operation.

49. Authorisation for issue of consolidated financial statement

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 June 2017.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The following is the full text of the unaudited consolidated financial information of the Group for the six months ended 30 September 2017 as extracted from the Company's interim report for the six months ended 30 September 2017. Capitalised terms used in this section shall have the same meanings as those defined in such interim report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

		Three months ended 30 September		Six months ended 30 September	
		2017	**2016**	**2017**	**2016**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)		(restated)
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations					
Revenue	*3 & 4*	79,078	60,640	159,504	120,687
Cost of sales		(21,038)	(15,215)	(43,203)	(31,701)
Gross profit		58,040	45,425	116,301	88,986
Other revenue and income		58	(243)	158	38
Loss on early redemption of promissory note		–	(3,030)	–	(3,030)
Selling and distribution expenses		(38,035)	(32,535)	(72,148)	(65,336)
Administrative expenses		(18,014)	(13,357)	(37,561)	(24,731)
Profit/(loss) from operations	*5*	2,049	(3,740)	6,750	(4,073)
Finance costs	*6*	(318)	(958)	(957)	(1,956)
Profit/(loss) before taxation		1,731	(4,698)	5,793	(6,029)
Taxation	*7*	(2,611)	(546)	(4,274)	(1,122)
Profit/(loss) for the period from continuing operations		(880)	(5,244)	1,519	(7,151)
Discontinued operations					
Loss for the period from discontinued operations		–	(9,288)	–	(11,621)

	Notes	Three months ended 30 September 2017 HK$'000 (Unaudited)	Three months ended 30 September 2016 HK$'000 (restated) (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)	Six months ended 30 September 2016 HK$'000 (restated) (Unaudited)
Profit/(loss) for the period		(880)	(14,532)	1,519	(18,772)
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		11,713	(5,520)	638	(29,942)
Total comprehensive profit/(loss) for the period		10,833	(20,052)	2,157	(48,714)
Profit/(loss) for the period attributable to:					
Owners of the Company		(1,552)	(15,426)	(788)	(21,276)
Non-controlling interests		672	894	2,307	2,504
		(880)	(14,532)	1,519	(18,772)
Total comprehensive profit/(loss) for the period attributable to:					
Owners of the Company		4,255	(8,403)	(8,034)	(45,453)
Non-controlling interests		6,578	(11,649)	10,191	(3,261)
		10,833	(20,052)	2,157	(48,714)
Loss per share attributable to owners of the Company					
From continuing and discontinued operations					
– Basic and diluted *(HK cents)*	8	(0.065)	(0.558)	(0.033)	(0.902)
From continuing operations					
– Basic and diluted *(HK cents)*		(0.065)	(0.217)	(0.033)	(0.387)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	**30 September 2017** *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		77,331	74,576
Prepaid lease payments		22,782	21,195
Available for sale financial assets		4,521	7,158
Goodwill		147,086	147,086
		251,720	250,015
Current assets			
Inventories		13,208	8,931
Trade and other receivables and deposits	*9*	49,649	41,431
Cash and cash equivalents		70,002	81,963
		132,859	132,325
Total assets		384,579	382,340
EQUITY			
Capital and reserves			
Share capital	*10*	24,568	24,568
Reserves		207,898	219,045
Equity attributable to owners of the Company		232,466	243,613
Non-controlling interests		54,472	44,282
Total equity		286,938	287,895

	Notes	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	11	40,365	38,806
Bank borrowings		13,614	13,081
Amounts due to non-controlling shareholders		1,017	936
Tax payables		1,169	1,967
Convertible note		–	6,444
		56,165	61,234
Non-current liabilities			
Promissory note		41,286	33,021
Deferred taxation		190	190
		41,476	33,211
Total liabilities		97,641	94,445
Total equity and liabilities		384,579	382,340
Net current assets		76,694	71,091
Total assets less current liabilities		328,414	321,106

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company												
	Share capital HK$'000 (Note (a))	Share premium HK$'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$'000 (Note (b))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016 (audited)	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
Loss for the period	–	–	–	–	–	–	–	–	–	(21,276)	(21,276)	2,504	(18,772)
Other comprehensive loss for the period													
Exchange difference on translating foreign operations	–	–	–	–	–	(23,989)	–	–	–	(188)	(24,177)	(5,765)	(29,942)
Total comprehensive loss for the period	–	–	–	–	–	(23,989)	–	–	–	(21,464)	(45,453)	(3,261)	(48,714)
Issue of convertible notes	–	–	–	–	–	–	–	–	–	–	–	–	–
Issue of new shares	6,590	214,072	–	–	–	–	–	–	–	–	220,662	–	220,662
Reserve of share options	–	–	–	–	–	–	2,200	–	–	–	2,200	–	2,200
Transfer to Statutory Reserve	–	–	–	–	–	–	–	–	(303)	–	(303)	–	(303)
At 30 September 2016 (unaudited)	24,568	565,333	295,610	(126,113)	(6,735)	(10,057)	14,223	10,232	42,819	(450,809)	359,071	209,120	568,191

	Share capital HK$'000 (Note (a))	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Revaluation 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 (Note (b))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 April 2017 (audited)	24,568	400,239	295,610	–	(754)	(6,735)	6,157	16,280	2,537	13,501	(507,790)	243,613	44,282	287,895
Loss for the period	–	–	–	–	–	–	–	–	–	–	(788)	(788)	2,307	1,519
Exchange difference on translating foreign operations	–	–	–	–	–	–	5,467	–	–	–	(12,713)	(7,246)	7,884	638
Total comprehensive loss for the period	–	–	–	–	–	–	5,467	–	–	–	(13,501)	(8,034)	10,191	2,157
Change in fair value of available-for-sale financial assets	–	–	–	–	(2,637)	–	–	–	–			(2,637)	–	(2,637)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	(477)	–	(477)	–	(477)
At 30 September 2017 (unaudited)	24,568	400,239	295,610	–	(3,391)	(6,735)	11,624	16,280	2,537	13,024	(521,291)	232,465	54,473	286,938

Notes:

(a) As at 30 September 2017, the total issued share capital of the Company was approximately HK$24.568 million (31 March 2017: approximately HK$24.568 million) divided into 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2017: 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 each (31 March 2017: HK$0.01 each).

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September 2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(3,958)	(142,834)
Net cash used in investing activities	(2,092)	(128,006)
Net cash generated from financing activities	(5,911)	214,863
Net decrease in cash and cash equivalents	(11,961)	(55,977)
Cash and cash equivalents at 1 April	81,963	249,712
Cash and cash equivalents at 30 September	70,002	193,735

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2017

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

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2017 (the "**2016/2017 Financial Statements**"), except for the new and revised standards, amendments and interpretations of HKFRSs ("**new and revised HKFRSs**") issued by the HKICPA which have become effective in this period as detailed in notes to the 2016/2017 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in the Interim Financial Statements.

3. Revenue

Turnover represents the provision of general hospital services during the period, after allowances for returns and trade discounts.

4. Segment information

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

Segment revenue and results

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Continuing operations				
– Provision of general hospital services	79,078	60,640	159,504	120,687
Results				
Continuing operations				
– Provision of general hospital services	4,806	3,656	12,509	5,350
Unallocated other revenue and income	122	120	242	241
Unallocated corporate expenses	(2,879)	(7,516)	(6,001)	(9,664)
Profit/(loss) from operations	2,049	(3,740)	6,750	(4,073)
Finance costs	(318)	(958)	(957)	(1,956)
Profit/(loss) before taxation	1,731	(4,698)	5,793	(6,029)
Taxation	(2,611)	(546)	(4,274)	(1,122)
Profit/(loss) for the period from continuing operation	(880)	(5,244)	1,519	(7,151)
Discontinued operations				
Loss for the period from discontinuing operation	–	(9,288)	–	(11,621)
	(880)	(14,532)	1,519	(18,772)

Note:

Inter-segment sales under pharmaceutical wholesale and distribution and pharmaceutical retail chain business for the three months ended 30 September 2017 amounted to approximately HK$Nil (2016: approximately HK$1.371 million) and for six months ended 30 September 2017 approximately HK$Nil (2016: approximately HK$1.593 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

Segment assets and liabilities

	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
As at 30 September 2017 (unaudited)			
Assets			
Segment assets	226,835	–	226,835
Unallocated corporate assets			157,744
Consolidated total assets			384,579
Liabilities			
Segment liabilities	52,136	–	52,136
Promissory note			41,286
Convertible note			–
Deferred taxation			190
Unallocated corporate liabilities			4,029
Consolidated total liabilities			97,641

	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2017 (audited)			
Assets			
Segment assets	367,874	–	367,874
Unallocated corporate assets			14,466
Consolidated total assets			382,340
Liabilities			
Segment liabilities	50,650	–	50,650
Promissory note			33,021
Convertible note			6,444
Deferred taxation			190
Unallocated corporate liabilities			4,140
Consolidated total liabilities			94,445

5. Profit/(loss) from operations

	Three months ended 30 September		Six months ended 30 September	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	3,141	4,039	6,039	8,115
Amortisation of prepaid lease payments	685	698	1,332	1,579
Operating lease rentals in respect of buildings	4,601	11,353	9,547	23,516
Staff costs (including Directors' remuneration)	18,327	41,872	34,906	93,865

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– Convertible note and promissory note	243	617	622	1,256
– Bank borrowings wholly repayable within five years	75	341	335	700
	318	958	957	1,956

7. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2016: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution and pharmaceutical retail chain business and general hospital services in the PRC (2016: approximately 25%).

8. Loss per share

The calculation of basic loss per share for the three months ended 30 September 2017 was based on the loss for the period attributable to owners of the Company of approximately HK$1.552 million (2016: loss attributable to owners of the Company of approximately HK$15.426 million) and on the weighted average number of ordinary shares of approximately 2,358,249,944 shares (2016: 1,797,749,944 shares).

The calculation of basic loss per share for the six months ended 30 September 2017 was based on the loss for the period attributable to owners of the Company of approximately HK$0.788 million (2016: loss attributable to owners of the Company of approximately HK$21.276 million) and on the weighted average number of ordinary shares of approximately 2,358,249,944 shares (2016: 1,892,225,334 shares).

For the three months periods ended 30 September 2017 and 2016, and the six months periods ended 30 September 2017 and 2016, the calculation of diluted loss per share did not assume the exercise of the convertible notes and outstanding share options existed as at 30 September 2017 and 2016, respectively, as the exercise of the convertible notes and share options would decrease the loss per share, and therefore are anti-dilutive.

9. Trade and Other Receivables and Deposits

	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
Trade receivables, net	19,447	14,792
Prepayments and deposits paid	26,854	24,981
Prepaid lease payments	–	957
Other receivables	12,437	9,629
	58,738	50,359
Less: Impairment loss recognised in respect of other receivables	(9,089)	(8,928)
	49,649	41,431

Payment terms with customers from general hospital services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
0 to 90 days	15,547	12,621
91 to 180 days	1,832	1,487
181 to 365 days	842	684
Over 365 days	2,392	1,942
	20,613	16,734
Less: Impairment loss recognised in respect of trade receivables	(1,166)	(1,942)
	19,447	14,792

10. Share capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 30 September 2017	110,000,000,000	1,100,000
Non-voting convertible preference shares of HK$0.01 each at 30 September 2017	40,000,000,000	400,000
	150,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 30 September 2017	2,358,249,944	23,583
Non-voting convertible preference shares of HK$0.01 each at 30 September 2017	98,500,000	985
	2,456,749,944	24,568

11. Trade and other payables

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	21,482	17,885
Receipts in advance	1,017	1,027
Accruals and other payables	17,866	19,894
	40,365	38,806

Bill payables were secured by certain pledged bank deposits.

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

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	10,814	9,003
91 to 180 days	2,328	1,938
181 to 365 days	2,464	2,052
Over 365 days	5,876	4,892
	21,482	17,885

12. Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2017 (2016: Nil).

13. Related party transactions

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

a) Key management personnel

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

	Six months ended 30 September	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,957	2,761
Share-based payment expenses	–	2,200
	2,957	4,961

b) Transaction

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

Name of related parties	Nature of transactions	Six months ended 30 September 2017	2016
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Non-controlling shareholder of Edward Hospital Company Limited	Management fee paid	532	631

4. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

The following is the full text of the unaudited consolidated financial information of the Group for the nine months ended 31 December 2017 as extracted from the Company's third quarterly report for the nine months ended 31 December 2017. Capitalised terms used in this section shall have the same meanings as those defined in such third quarterly report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

		Three months ended 31 December		Nine months ended 31 December	
		2017	**2016**	**2017**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)		(restated)
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations					
Turnover	*3*	84,921	78,279	244,425	198,966
Cost of sales		(24,428)	(21,461)	(67,631)	(53,162)
Gross profit		60,493	56,818	176,794	145,804
Other revenue		(344)	(29)	(186)	9
Selling and distribution expenses		(40,631)	(32,592)	(112,779)	(97,928)
Administrative expenses		(18,700)	(18,336)	(56,261)	(43,067)
Loss on early redemption of promissory note		–	–	–	(3,030)
Profit from operations		818	5,861	7,568	1,788
Finance costs		(363)	(776)	(1,320)	(2,732)
Profit/(loss) before taxation		455	5,085	6,248	(944)
Taxation	*4*	(863)	(659)	(5,137)	(1,781)
Profit/(loss) for the period from continuing operations		(408)	4,426	1,111	(2,725)
Discontinued operations					
Loss for the period from discontinued operations		–	(6,647)	–	(18,268)
Loss for the period		–	(2,221)	–	(20,993)
Other comprehensive income, net of tax:					
Exchange differences arising on translating foreign operations		1,261	(22,668)	1,899	(52,610)
Total comprehensive profit/(loss) for the period		853	(24,889)	3,010	(73,603)

	Notes	Three months ended 31 December 2017 HK$'000 (Unaudited)	Three months ended 31 December 2016 HK$'000 (restated) (Unaudited)	Nine months ended 31 December 2017 HK$'000 (Unaudited)	Nine months ended 31 December 2016 HK$'000 (restated) (Unaudited)
Profit/(loss) for the period attributable to:					
Owners of the Company		(1,280)	4,130	(2,068)	(17,146)
Non-controlling interests		872	(6,351)	3,179	(3,847)
		(408)	(2,221)	1,111	(20,993)
Total comprehensive profit/(loss) attributable to:					
Owners of the company		156	(10,457)	(7,878)	(55,910)
Non-controlling interests		697	(14,432)	10,888	(17,693)
		853	(24,889)	3,010	(73,603)
Dividends	5	–	–	–	–
Profit/(loss) per share attributable to the owners of the Company					
From continuing and discontinued operations					
– Basic and diluted *(HK cents)*	6	(0.055)	0.175	(0.088)	(0.727)
From continuing operations					
– Basic and diluted *(HK cents)*		(0.055)	0.435	(0.088)	0.048

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Attributable to owners of the Company												
	Share capital *HK$'000* *(Note (a))*	Share premium *HK$'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 surplus reserve *HK$'000* *(Note (b))*	Accumulated losses *HK$'000*	Sub- total *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
At 1 April 2016 (audited)	17,978	351,261	295,610	(126,113)	(6,735)	13,932	27,422	10,232	43,122	(444,744)	181,965	212,381	394,346
Loss for the period	–	–	–	–	–	–	–	–	–	(17,146)	(17,146)	(3,847)	(20,993)
Exchange difference on transaction of foreign operations	–	–	–	–	–	(38,764)	–	–	–	(128)	(38,892)	(13,718)	(52,610)
Total comprehensive loss for the period	–	–	–	–	–	(38,764)	–	–	–	(17,274)	(56,038)	(17,565)	(73,603)
Issue of new shares	6,590	214,072	–	–	–	–	–	–	–	–	220,662	–	220,662
Reserve of share options	–	–	–	–	–	–	2,200	–	–	–	2,200	–	2,200
Transfer to Statutory Reserve	–	–	–	–	–	–	–	–	4,562	–	4,562	–	4,562
At 31 December 2016 (unaudited)	24,568	565,333	295,610	(126,113)	(6,735)	(24,832)	29,622	10,232	47,684	(462,018)	353,351	194,816	548,167

	Attributable to owners of the Company												
	Share capital *HK$*	Share premium *HK$*	Capital reserve *HK$*	Revaluation reserve *HK$*	Special reserve *HK$*	Translation reserve *HK$*	Share-based payment reserve *HK$*	Convertible note reserve *HK$*	Statutory reserve *HK$*	Accumulated losses *HK$*	Sub-total *HK$*	Non-controlling interest *HK$*	Total equity *HK$*
At 1 April 2017 (audited)	24,568	400,239	295,610	(754)	(6,735)	6,157	16,280	2,537	13,501	(507,790)	243,613	44,282	287,895
Loss for the period	–	–	–	–	–	–	–	–	–	(2,068)	(2,068)	3,179	1,111
Exchange difference on transaction of foreign operations	–	–	–	–	–	6,807	–	–	–	(12,617)	(5,810)	7,709	1,899
Total comprehensive loss for the period	–	–	–	–	–	6,807	–	–	–	(14,685)	(7,878)	10,888	3,010
Change in fair value of available-for-sale financial assets	–	–	–	(3,391)	–	–	–	–	–	–	(3,391)	–	(3,391)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	2,411	–	2,411	–	2,411
At 31 December 2017 (unaudited)	24,568	400,239	295,610	(4,145)	(6,735)	12,964	16,280	2,537	15,912	(522,475)	234,755	55,170	289,925

Notes:

(a) As at 31 December 2017, the total issued share capital of the Company was approximately HK$24.568 million (31 March 2017: approximately HK$24.568 million) divided into 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2017: 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 each (31 March 2017: HK$0.01 each).

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

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

For the three months and nine months ended 31 December 2017

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

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (the "**Interpretations**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the nine months ended 31 December 2017 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2017 (the "**2016/17 Financial Statements**"), except for the new and revised standards, amendments and interpretations of HKFRSs ("**new and revised HKFRSs**") issued by HKICPA which have become effective in this period as detailed in notes to the 2016/17 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these unaudited condensed consolidated financial results.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with provision of general hospital services during the period.

	Three months ended 31 December		**Nine months ended 31 December**	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Provision of general hospital services	84,921	78,279	244,425	198,966

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2016: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from provision of general hospital services in the PRC (2016: approximately 25%).

5. Dividends

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

6. Loss per share

The calculation of basic loss per share for the three months ended 31 December 2017 was based on the loss attributable to owners of the Company of approximately HK$1.280 million (2016: profit approximately HK$4.130 million) and on the weighted average number of ordinary share of approximately 2,358,249,944 shares (2016: 1,892,225,334 shares).

The calculation of basic loss per share for the nine months ended 31 December 2017 was based on the net loss attributable to owners of the Company of approximately HK$2.068 million (2016: approximately HK$17.146 million) and on the weighted average number of ordinary shares of approximately 2,358,249,944 shares (2016: 2,081,084,489 shares).

Diluted loss per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 2017, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2017 and 2016, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2017 and 2016 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 31 December 2017 *HK$'000* (Unaudited)	Nine months ended 31 December 2017 *HK$'000* (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	(1,280)	(2,068)
Weighted average number of ordinary shares in issue	2,358,249,944	2,358,249,944
Adjustments for assumed exercise of share options	–	–
Weighted average number of shares for the purpose of diluted earnings per share	2,358,249,944	2,358,249,944

	Three months ended 31 December 2017	Nine months ended 31 December 2017
From continuing and discontinued operations		
– Basic and diluted *(HK cents)*	(0.055)	(0.088)
From continuing operations		
– Basic and diluted *(HK cents)*	(0.055)	(0.088)

5. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had the following outstanding indebtedness:

	Total
	HK$'000
Non-current liabilities:	
Promissory notes	42,697
Current liabilities:	
Secured bank borrowings	10,000
Total	52,697

As at 31 March 2018, the promissory notes with outstanding principal amount of HK$35,000,000, HK$8,000,000 and HK$2,000,000 bear interest at a rate of 1%, 5% and 8% per annum payable semi-annually in arrears. The maturity date of the promissory note is 7 March 2020, 4 June 2022 and 26 June 2018 respectively. As at 31 March 2018, the secured bank borrowing of RMB8,000,000 (approximately HK$10,000,000) carried variable interest rates at 6.09% per annum. The bank borrowing was secured by prepaid lease payments and personal guarantee. The secured bank borrowing was denominated in RMB and repayable within one year or on demand.

Pledge of assets

As at 31 March 2018, the net carrying amount of the assets which pledged to secure the bank borrowings of the Group was as follow:

	HK$'000
Prepaid lease payments	23,495

Contingent liabilities

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities outstanding.

Disclaimer

Save as aforesaid above, at the close of business on 31 March 2018, the Directors confirmed that the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities. The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 March 2018.

6. MATERIAL CHANGE

The Directors confirm that, save as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date:

(1) the acquisition of the entire issued share capital of Future Health Investments (Scotland) Ltd ("**Future Health**") by Sino Business Investment Development Limited ("**Sino Business**") (a wholly-owned subsidiary of the Company, as purchaser) and Vanhal Property Investment Limited (as vendor) at the consideration of HK$2,091,500, as disclosed in the announcement of the Company dated 27 April 2017;

(2) the formation of a joint venture company, namely Future Health, between Sino Business and The University Court of the University of Edinburgh, as disclosed in the announcement of the Company dated 9 March 2018;

(3) the placing of 460,000,000 new Shares under general mandate at a placing price of HK$0.1 per placing share. The gross proceeds and the net proceeds from the placing were approximately HK$46 million and HK$44.5 million respectively, as disclosed in the announcements of the Company dated 1 March 2018, 5 March 2018 and 20 March 2018; and

(4) based on a preliminary review of the unaudited financial information of the Group for the year ended 31 March 2018 and information currently available to the Board, the Group is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 (the "**Current Year**"). The expected loss for the Current Year was mainly attributable to the effects of an impairment loss on carrying amounts of goodwill as at 31 March 2018, as disclosed in the announcement of the Company dated 9 May 2018.

1. REPORT FROM HLB HODGSON IMPEY CHENG LIMITED

The following is the full text of report prepared for the purpose of incorporation in this Composite Document, received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors
Hua Xia Healthcare Holdings Limited
19/F, New Wing,
101 King's Road,
HONG KONG

Dear Sirs,

HUA XIA HEALTHCARE HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE "GROUP") COMFORT LETTER ON PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2018

We refer to the estimate of the consolidated loss attributable to equity holders of the Company for the year ended 31 March 2018 (the "**Profit Estimate**") set forth in the profit warning announcement issued by the Company dated 9 May 2018 (the "**Profit Warning Announcement**").

DIRECTORS' RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2018.

The Company's directors are solely responsible for the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. This letter is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this letter.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in the paragraph headed "Bases and assumptions in preparing the profit estimate" of "LETTER FROM THE BOARD" in the composite document of the Company dated 5 June 2018 and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group set out in the annual report of the Company for the year ended 31 March 2017 and the new or revised accounting standards issued that are effective for accounting period beginning on 1 April 2017 where applicable. This letter should not be construed as in any way updating or refreshing the aforementioned auditors' report nor do we accept responsibility for such report beyond that owed to those to whom the report was addressed by us at the date of its issue.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 5 June 2018

2. REPORT FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of report prepared for the purpose of incorporation in this Composite Document, received from Nuada Limited, the Independent Financial Adviser.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

5 June 2018

The Board of Directors
Hua Xia Healthcare Holdings Limited
19/F, New Wing
101 King's Road
Hong Kong

Dear Sirs,

Hua Xia Healthcare Holdings Limited

Re: Profit Warning

We refer to the announcement dated 9 May 2018 (the "**Profit Warning Announcement**") issued by Hua Xia Healthcare Holdings Limited (the "**Company**") and the composite offer document dated 5 June 2018 (the "**Composite Offer Document**") jointly issued by the Company and Solar Star Global Limited. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless otherwise specified.

We also refer to the statement made by the Directors in the Profit Warning Announcement, that, based on a preliminary review of the unaudited financial information of the Group for the year ended 31 March 2018 and information currently available to the Board, the Group is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 (the "**Profit Estimate**"), which was mainly attributable to the effects of an impairment loss on carrying amounts of goodwill as at 31 March 2018. The Profit Estimate is regarded as a profit forecast under the Takeovers Code and therefore is required to be reported on pursuant to Rule 10 of the Takeovers Code by the Company's financial adviser and its auditors or accountants. This letter is issued in compliance with the requirement under Rule 10.4 of the Takeovers Code.

We have discussed with you the bases , i.e. the unaudited management accounts of the Group for the year ended 31 March 2018, upon which the Profit Estimate was prepared. We have also considered the letter as contained in Appendix IIB to the Composite Offer Document and issued by HLB Hodgson Impey Cheng Limited, the auditors of the Company, which stated that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and the assumptions (as set out on page 26 of the Composite Offer Document) adopted by the Directors, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group set out in the annual report of the Company for the year ended 31 March 2017 and the new or revised accounting standards issued that are effective for the accounting period beginning on 1 April 2017 where applicable.

The review carried out by us as described above is primarily based on the information and materials supplied to us by or on behalf of the Company, and the opinions expressed by, and the representations of, the employees and/or the senior management of the Company. We have relied upon the accuracy and completeness of all of such information and materials that were made available to us or were discussed with or reviewed by us and have assumed such accuracy and completeness for the purpose of providing this opinion. We have also relied on the assurances of the management of the Company that they are not aware of any facts or circumstances that would make any information necessary for us to provide this opinion inaccurate or misleading and that the management have not omitted to provide us with any information which may be relevant to the delivery of this opinion.

We consider that we have acted with due skill, care and diligence, observed proper standards of market conduct. We have also regarded to the time management of this engagement for avoiding undue delay and ensured that our responsibilities were performed on a timely basis in accordance with the relevant rules and regulations. This letter has also been prepared using plain language with reference to relevant guides on the preparation of announcements and documents issued by the SFC and the Stock Exchange.

On the basis of the foregoing, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, have been made with due care and consideration.

We hereby give our consent to and confirm that we have not withdrawn consent to the issue of the Composite Offer Document with the inclusion of this letter.

Yours faithfully
For and on behalf of
Nuada Limited

Kim Chan
Director

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders and Optionholders with regard to the Group, the Offeror and the Offers.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, the director of the Offeror, their associates and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror, the director of the Offeror, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised		*HK$*
110,000,000,000	Ordinary Shares of HK$0.01 each	1,100,000,000.00
40,000,000,000	Convertible Preference Shares of HK$0.01 each	400,000,000.00
150,000,000,000		1,500,000,000.00
Issued and fully paid		
2,818,249,944	Ordinary Shares of HK$0.01 each	28,182,499.44
98,500,000	Convertible Preference Shares of HK$0.01 each	985,000.00
2,916,749,944		29,167,499.44

All of the existing issued Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The ordinary Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

The holders of Convertible Preference Shares will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.

Save for the placing of 460,000,000 new Shares under the general mandate granted to the Board at the annual general meeting of the Company held on 14 August 2017 at a placing price of HK$0.1 per placing share which was completed on 20 March 2018, no new Shares were issued since 31 March 2017 (being the date on which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had 98,500,000 Convertible Preference Shares in issue (all of which being held by the Offeror) and 450,000 outstanding Options in respect of 450,000 Shares.

As at the Latest Practicable Date, save for the Options and the Convertible Preference Shares, the Company did not have any outstanding options, warrants or other conversion rights affecting the Shares.

The following is a summary of the principal terms of the share option scheme adopted on 20 April 2002, which had been terminated on 10 August 2011. However, the 450,000 Options in respect of the 450,000 Shares will remain exercisable until 29 March 2019.

(A) Purpose of the share option scheme

The purpose of the share option scheme is to provide incentives or rewards to the Eligible Participants (as defined below) for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(B) Participants of the share option scheme

The participants (the "**Eligible Participants**") of the share option scheme shall be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, customers, investors, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

(C) The period within which the shares under the Options must be taken up

The period during which the outstanding Options may be exercised is between 30 September 2009 and 29 March 2019 (both days inclusive).

(D) The exercise price of the Options

The exercise price of the outstanding Options is HK$0.50 per Share.

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors in the Shares or securities of the Company

As at the Latest Practicable Date, the following Directors and chief executive of the Company had, or were deemed to have, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Total number of Shares and/or underlying Shares interested *(Note 1)*	Approximate percentage of the existing issued ordinary share capital of the Company *(Note 2)*
Mr. Yung	Beneficial owner	2,640,000 (L)	0.09%
Dr. Jiang Tao	Beneficial owner	9,300,000 (L)	0.33%
Mr. Zheng Gang	Beneficial owner	6,044,000 (L)	0.21%
Dr. Huang Jiaqing	Beneficial owner	1,400,000 (L)	0.05%

Notes:

1. The letter "L" denotes the individual's or corporation's long position in Shares.

2. The percentages have been calculated based on 2,818,249,944 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors and chief executive of the Company) held interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or interests and short positions in the Shares and/or underlying Shares which are required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the number of any class of issued share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of Shareholder	Nature of interest	Total number of Shares and/or underlying Shares interested *(Note 1)*	Approximate percentage of the existing issued ordinary share capital of the Company *(Note 2)*
The Offeror *(Note 3)*	Beneficial owner	971,991,516 (L)	34.49%
Mr. Ng *(Note 3)*	Beneficial owner	59,000,000 (L)	2.09%
	Interests in controlled corporation	971,991,516 (L)	34.49%
New Hope International (Hong Kong) Limited *(Note 4)*	Beneficial owner	343,217,539 (L)	12.18%

Name of Shareholder	Nature of interest	Total number of Shares and/or underlying Shares interested *(Note 1)*	Approximate percentage of the existing issued ordinary share capital of the Company *(Note 2)*
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) *(Note 4)*	Interests in controlled corporation	343,217,539 (L)	12.18%
New Hope Group Co., Ltd.# (新希望集團有限公司) *(Note 4)*	Interests in controlled corporation	343,217,539 (L)	12.18%
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司) *(Note 4)*	Interests in controlled corporation	343,217,539 (L)	12.18%
Mr. Liu Yonghao *(Note 4)*	Interests in controlled corporation	343,217,539 (L)	12.18%
Ms. Liu Chang *(Note 4)*	Interests in controlled corporation	343,217,539 (L)	12.18%
Ms. Li Wei *(Note 4)*	Interest of spouse	343,217,539 (L)	12.18%

Notes:

1. The letter "L" denotes the individual's or corporation's long position in Shares.

2. The percentages have been calculated based on 2,818,249,944 Shares in issue as at the Latest Practicable Date.

3. As at the Latest Practicable Date, the Offeror is interested in 873,491,516 Shares and 98,500,000 Convertible Preference Shares. The Offeror is owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng is deemed to be interested in the Shares in which the Offeror is interested in under the SFO.

4. As at the Latest Practicable Date, New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Co., Ltd# (南方希望實業有限公司) which is, in turn, owned as to 51% by New Hope Group Co., Ltd.# (新希望集團有限公司) and 49% by Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司). Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Accordingly, Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or interests and short positions in the Shares, underlying Shares and debentures of the Company which are required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the number of any class of issued share capital carrying rights to vote in all circumstances at a general meeting of the Company.

4. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period and up to the Latest Practicable Date,

(i) none of the Company or any of the Directors was interested in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror, and the Company or any of the Directors had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period;

(ii) save for (i) Mr. Lin Jinzong, an executive Director, having sold 320,000,000 Shares at HK$0.0719 per Share through his wholly-owned investment vehicle, Kingfull Corporate Development Limited on 26 March 2018, and (ii) the transfer of the Transfer Shares and 98,500,000 Convertible Preference Shares by Mr. Yung through Easeglory pursuant to the Deed of Settlement, none of the Directors have dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(iii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code but excluding exempt principal traders (as defined under the Takeovers Code) had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(iv) save for Mr. Yung, Easeglory, Mr. Ng Leung Ho (the father of Mr. Ng), Golden Prince, Mr. Ng and the Offeror, who/which had an arrangement involving rights over shares pursuant to the Deed of Settlement (for details of the Deed of Settlement, please refer to the section headed "INTRODUCTION – The Deed of Settlement" in the "LETTER FROM KINGSTON SECURITIES" in this Composite Document), no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(v) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(vi) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent;

(vii) no person had irrevocably committed himself/herself/itself to accept or reject the Offers; and

(viii) save as disclosed in the paragraph headed "3. DISCLOSURE OF INTERESTS" in this Appendix, none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company and none of the Directors intended, in respect of their own beneficial shareholdings, to accept the Offers.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

(a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(b) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offers or otherwise connected with the Offers; and

(c) there was no material contract entered into by the Offeror in which any Director had a material personal interest.

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

(a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period;

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

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

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by the members of the Group after the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date and which are or may be material:

(a) the placing agreement dated 21 July 2016 and entered into between the Company as issuer and Kingston Securities Limited as placing agent, in relation to the placing, on a best effort basis, of 339,000,000 Shares at the placing price of HK$0.31 per placing Share;

(b) the sale and purchase agreement dated 14 September 2016 and entered into among Best Winna Investment Holding Limited, a wholly-owned subsidiary of the Company, as purchaser, Kingfull Corporate Development Limited as vendor, and Mr. Lin Jinzong as guarantor, in relation to the acquisition of the entire issued share capital of Glowing Smart Investment Limited and the sale loan, for the aggregate consideration of HK$149,501,540, consisting of cash in the amount of HK$47,101,540 and 320,000,000 consideration Shares at the issue price HK$0.32 per Share;

(c) the sale and purchase agreement dated 27 April 2017 and entered into between Sino Business Investment Development Limited, a wholly-owned subsidiary of the Company, as purchaser and Vanhal Property Investment Limited as vendor, in relation to the acquisition of the entire issued share capital of Future Health Investments (Scotland) Ltd and the sale loan, for the aggregate cash consideration of HK$2,091,500;

(d) the placing agreement dated 1 March 2018 and entered into between the Company as issuer and Kingston Securities Limited as placing agent, in relation to the placing, on a best effort basis, of 460,000,000 Shares at the placing price of HK$0.10 per placing Share; and

(e) the joint venture agreement dated 8 March 2018 and entered into among Sino Business Investment Development Limited, a wholly-owned subsidiary of the Company, the University Court of the University of Edinburgh and Future Health Investments (Scotland) Ltd, in relation to the establishment of a joint venture using Future Health Investments (Scotland) Ltd to carry on the business.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

9. EXPERTS' QUALIFICATIONS AND CONSENT

The followings are the qualifications of the experts who have given opinion or advice which are contained in this Composite Document.

Name	Qualification
Nuada Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

Nuada Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and/or references to its name, in the form and context in which it is included.

HLB Hodgson Impey Cheng Limited, the auditors to the Company, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, opinion and/or references to its name, in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

(a) The registered office of the Company is at 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 at 19/F., New Wing, 101 King's Road, Hong Kong.

(b) The Independent Financial Adviser to the Company in respect of the Offers is Nuada Limited, whose registered office is at Unit 1805-08, 18/F OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.

(c) As at the Latest Practicable Date, the Board comprises four executive Directors, namely Dr. Jiang Tao, Mr. Yung Ka Chun, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Lin Jinzong; three non-executive Directors, namely Dr. Wong Yu Man, James, Mr. Tang Xun and Mr. Chan Chi Ming, Tony; and four independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin.

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

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

(f) The principal share registrar and transfer office of the Company in the Cayman Islands is Tricor Services (Cayman Islands) Limited at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

(g) In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m.) on Monday to Friday, except for public holidays, at the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong; (ii) on the website of the SFC (**www.sfc.hk**); and (iii) on the website of the Company (**www.huaxia-healthcare.com**) for so long as the Offers remain open for acceptance during the period from the date of this Composite Document up to and including the Offer Closing Date:

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

(b) the annual reports of the Company for the two years ended 31 March 2016 and 2017, respectively;

(c) the first quarterly report of the Company for the three months ended 30 June 2017;

(d) the interim report of the Company for the six months ended 30 September 2017;

(e) the third quarterly report of the Company for the nine months ended 31 December 2017;

(f) the letter from the Board, the text of which is set out on pages 20 to 27 of this Composite Document;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Composite Document;

(h) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 53 of this Composite Document;

(i) the material contracts referred to in paragraph headed "7. MATERIAL CONTRACTS" in this Appendix;

(j) the written consents referred to in the paragraph headed "9. EXPERTS' QUALIFICATIONS AND CONSENT" in this Appendix; and

(k) the reports issued by HLB Hodgson Impey Cheng Limited and Nuada Limited on the Profit Warning Announcement, the text of which are set out in Appendix IIB to this Composite Document.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror, Mr. Ng, accepts full responsibility for the accuracy of the information (other than that relating to the Group, the Directors, the Vendors, their associates and parties acting in concert with any of them) contained in this Composite Document, and confirm, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group, the Directors, the Vendors, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
2017	
31 October	0.175
30 November	0.141
29 December	0.139
2018	
31 January	0.13
28 February	0.117
29 March	0.12
24 April (Last Trading Day)	0.12
30 April	0.125
31 May	0.122
Latest Practicable Date	0.121

During the Relevant Period:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.184 per Share on 27 October 2017; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.112 per Share on 9 February 2018.

3. SHAREHOLDINGS AND ADDITIONAL DISCLOSURE ON INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

The Offeror is a company incorporated in the BVI with limited liability which was owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin as at the Latest Practicable Date. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 932,491,516 Shares, representing approximately 33.09% of the entire issued ordinary share capital of the Company, and 98,500,000 Convertible Preference Shares. The Offeror confirms that, as at the Latest Practicable Date:

(a) save as disclosed in the paragraph headed "3. DISCLOSURE OF INTERESTS" in Appendix III to this Composite Document, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;

(b) save as the Acquisitions, the Facilities, the Deed of Settlement and as disclosed in the paragraph headed "3. DISCLOSURE OF INTERESTS" in Appendix III to this Composite Document, none of the Offeror and parties acting in concert with it had dealt in nor do they have any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;

(c) save for the Facilities and the Deed of Settlement, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or its associates or any parties acting in concert with it and any other person;

(d) save for the Facilities and the Deed of Settlement, no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and its associates or any parties acting in concert with it and any other person;

(e) save for the Offeror's interest in 98,500,000 Convertible Preference Shares, there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owners or any person acting in concert with any of them;

(f) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(g) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had received any irrevocable commitment to accept or to reject the Offers;

(h) save for the Facilities and the Deed of Settlement, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company during the Relevant Period;

(i) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(j) there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

(k) there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offer; and

(l) save for the Facilities, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Each of Easeglory and the Offeror further confirms that, as at the Latest Practicable Date:

(a) save for the transactions contemplated under the Deed of Settlement, there was no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owners and parties acting in concert with it (including Golden Prince) on the one hand, and Easeglory, its ultimate beneficial owner and parties acting in concert with it on the other hand; and

(b) each of Easeglory, its ultimate beneficial owner and parties acting in concert with it has not received and will not receive any other consideration and benefits in whatever form from the Offeror, its ultimate beneficial owners or parties acting in concert with it (including Golden Prince).

The Offeror further confirms that, as at the Latest Practicable Date:

(a) save for the Share Sale, there is no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including Golden Prince) on the one hand, and the Vendors and their ultimate beneficial owners on the other hand; and

(b) save as disclosed in this Composite Document, each of the Vendors and their ultimate beneficial owners has not received and will not receive any other consideration and benefits in whatever form from the Offeror, its ultimate beneficial owners or parties acting in concert with it (including Golden Prince).

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualification of the experts whose letter/opinion is contained in this Composite Document:

Name	**Qualification**
Kingston Corporate Finance	a licensed corporation under the SFO, licensed to carry on Type 6 (advising on corporate finance) regulated activity
Kingston Securities	a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities) regulated activity

Each of the above experts has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion of its advices, reports and/or the references to its name in the form and context in which it appear.

5. MATERIAL CONTRACTS IN RELATION TO THE OFFERS

No material contracts were entered into by the Offeror and its parties acting in concert in relation to the Offers which are or may be material.

6. MISCELLANEOUS

(a) The principal members of the Offeror's concert group are the Offeror, Mr. Ng, Ms. Ng Si Wing, Ms. Ng Yin, Mr. Ng Leung Ho (the father of Mr. Ng) and Golden Prince (which was held as to 100% by Mr. Ng Leung Ho as at the Latest Practicable Date).

(b) As at the Latest Practicable Date, the registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror is Unit 3701, 37/F, West Tower, Shun Tak Centre, 168- 200 Connaught Road Central, Hong Kong.

(c) As at the Latest Practicable Date, Mr. Ng is the sole director of the Offeror. The address of Mr. Ng is House 8, 20 Tai Tam Road, Stanley, Hong Kong. The Offeror is legally and beneficially owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin as at the Latest Practicable Date.

(d) The financial adviser to the Offeror in respect of the Offers is Kingston Corporate Finance. Kingston Securities, is making the Offers on behalf of the Offeror. The registered address of both of Kingston Corporate Finance and Kingston Securities is Unit 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at principal place of business of the Company in Hong Kong at 19/F., New Wing, 101 King's Road, Hong Kong; (ii) on the website of the SFC (**www.sfc.hk**); and (iii) the Company's website (**www.huaxia-healthcare.com**) during the period from the date of this Composite Document onwards for as long as the Offers remain open for acceptance:

(a) the memorandum and articles of association of the Offeror;

(b) the letter from Kingston Securities, the text of which is set out in the section headed "LETTER FROM KINGSTON SECURITIES" in this Composite Document; and

(c) the written consents from the experts as referred to in the paragraph headed "4. EXPERTS' QUALIFICATIONS AND CONSENTS" in this Appendix.