

Interim Report 2014/2015



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)

* For identification purpose only



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



HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$925.344 million for the six months ended 30 September 2014 as compared to a total turnover of approximately HK\$1,141.540 million recorded in the corresponding period in year 2013, representing a decrease of approximately 18.94%.
- Loss attributable to owners of the Company was approximately HK\$497.361 million for the six months ended 30 September 2014 (2013: profit attributable to owners of the Company of approximately HK\$19.232 million).
- The basic and diluted loss per share for the six months ended 30 September 2014 were approximately HK28.259 cents and HK28.255 cents respectively (2013: approximately HK1.626 cents and HK1.597 cents for the basic and diluted earnings per share respectively).
- The Directors do not recommend the payment of a dividend for the six months ended 30 September 2014 (2013: special interim dividend of approximately HK\$283.785 million)

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 September 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2014

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

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



Condensed Consolidated Statement of Financial Position

At 30 September 2014

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013 and 2014

	Attributable to owners of the Company											Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Other reserve	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Statutory reserve	Retained earnings	Sub-total			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2013 (audited)	11,824	190,250	579,395	-	(6,735)	26,304	16,146	2,537	25,454	99,800	945,065	40,974	986,039	
Profit for the period	-	-	-	-	-	-	-	-	-	19,232	19,232	2,601	21,833	
Other comprehensive income for the period	-	-	-	-	-	6,715	-	-	-	-	6,715	844	7,559	
Total comprehensive income for the period	-	-	-	-	-	6,715	-	-	-	19,232	25,947	3,445	29,392	
Issue of share options	-	-	-	-	-	-	642	-	-	-	642	-	642	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,441)	(2,441)	
At 30 September 2013 (unaudited)	11,824	190,250	579,395	-	(6,735)	33,019	16,788	2,537	25,454	119,122	971,654	41,978	1,013,632	

	Attributable to owners of the Company											Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Other reserve	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Statutory reserve	Retained earnings/(accumulated losses)	Sub-total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2014 (audited)	17,562	316,969	295,610	(97,455)	(6,735)	32,789	15,645	2,537	37,079	110,252	724,253	426,170	1,150,423
Loss for the period	-	-	-	-	-	-	-	-	-	(497,361)	(497,361)	(281,710)	(779,071)
Other comprehensive income for the period	-	-	-	-	-	376	-	-	-	-	376	236	612
Total comprehensive (loss)/income for the period	-	-	-	-	-	376	-	-	-	(497,361)	(496,985)	(281,474)	(778,459)
Exercise of share options	39	1,969	-	-	-	-	(50)	-	-	-	1,950	-	1,950
Increase in non-controlling interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,944	9,944
At 30 September 2014 (unaudited)	17,601	318,938	295,610	(97,455)	(6,735)	33,165	15,597	2,537	37,079	(387,109)	228,218	154,640	383,858

Notes:

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

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

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

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

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

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

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2014

1. Corporate information

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

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

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

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2014 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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

3. Turnover

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

4. Segment Information

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

Segment revenue and results

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

Note:

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

Segment assets and liabilities

	Provision of general hospital services HK\$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2014 (unaudited)</i>			
Assets			
Segment assets	225,262	737,026	962,288
Unallocated corporate assets			13,837
Consolidated total assets			<u>976,125</u>
Liabilities			
Segment liabilities	45,853	464,087	509,940
Promissory note			72,029
Convertible note			5,220
Deferred taxation			392
Unallocated corporate liabilities			4,686
Consolidated total liabilities			<u>592,267</u>
<i>As at 31 March 2014 (audited)</i>			
Assets			
Segment assets	190,394	1,429,758	1,620,152
Unallocated corporate assets			17,888
Consolidated total assets			<u>1,638,040</u>
Liabilities			
Segment liabilities	22,982	381,956	404,938
Promissory note			71,361
Convertible note			5,012
Deferred taxation			426
Unallocated corporate liabilities			5,880
Consolidated total liabilities			<u>487,617</u>

5. (Loss)/profit from operations

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

6. Finance costs

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

7. Taxation

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

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

8. (Loss)/earnings per share

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

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

Diluted (loss)/earnings per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and six months ended 30 September 2014, the Company had a category of dilutive potential ordinary shares: share options. For the three months and six months ended 30 September 2014 and 2013, the calculation of diluted (loss)/earnings per share did not assume the exercise of the convertible note existed at 30 September 2014 and 2013 as the exercise of the convertible note would decrease loss/increase earnings per share, therefore is anti-dilutive.

For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 30 September 2014 HK\$'000 (Unaudited)	Six months ended 30 September 2014 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per shares	<u>(3,674)</u>	<u>(497,361)</u>
Weighted average number of ordinary shares in issue	1,760,089,944	1,759,983,387
Adjustments for assumed exercise of share options	<u>116,764</u>	<u>272,641</u>
Weighted average number of shares for the purpose of diluted loss per share	<u>1,760,206,708</u>	<u>1,760,256,028</u>
	Three months ended 30 September 2014 (Unaudited)	Six months ended 30 September 2014 (Unaudited)
Diluted loss per share	<u>HK0.209 cents</u>	<u>HK28.255 cents</u>

9. Trade and other receivables and deposits

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

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

Payment terms with customers from the pharmaceutical wholesale and distribution business and pharmaceutical 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 services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

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

10. Pledged bank deposits

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

11. Share capital

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

12. Trade and other payables

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

Bill payables were secured by certain pledged bank deposits.

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

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

13. Dividends

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

14. Related party transactions

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

a) *Key management personnel*

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

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

b) Personal guarantee

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

c) Transaction

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2014 (the “period under review”), the Group recorded a turnover on business operations of approximately HK\$925.344 million (2013: approximately HK\$1,141.540 million), representing a decrease of approximately 18.94% as compared to the same period last year. The decrease in turnover was mainly affected by the sales from the pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC.

Selling and distribution expenses for the period under review amounted to approximately HK\$59.100 million (2013: approximately HK\$50.017 million), rising slightly by approximately 18.16%. More selling and distribution expenses are incurred mainly attributable to the increase in both salaries and rental expense arising from the increase in both the number of sales and marketing personnel employed by the Group and the number of retail pharmacies during the period under review compared to the corresponding period in year 2013.

Administrative expenses for the period under review amounted to approximately HK\$46.541 million (2013: approximately HK\$43.426 million), slightly increased by approximately about 7.17%.

The Group recorded a loss attributable to owners of the Company of approximately HK\$497.361 million for the period under review (2013: profit attributable to owners of the Company of approximately HK\$19.232 million), representing a decrease in the profit attributable to owners of the Company as compared to the same period last year. The loss was mainly related to the impairment loss on goodwill of approximately HK\$785.483 million recognised by our non-wholly owned subsidiary – Wanjia Group.

Business Review and Outlook

General hospital services

During the six months ended 30 September 2014, and after the Zhuhai Jiulong Hospital acquisition was completed on 4 September 2014, the Group operates three general hospitals in Chongqing, Jiaxing and Zhuhai (2013: two general hospitals in Chongqing and Jiaxing), principally engaged in the provision of general hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The total turnover contributed by these general hospitals for the six months ended 30 September 2014 was approximately HK\$84.905 million (2013: approximately HK\$73.866 million), increased by approximately about 14.94%

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

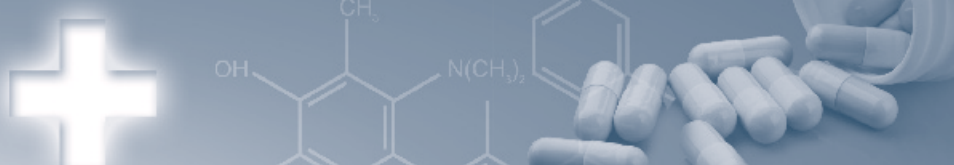
The Group engages in the wholesale, distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC. The Group also operate a chain of retail pharmacies located in six prefectural-level districts in Fujian Province in the PRC under the brand name “Huihao Sihai”. The Group’s pharmaceutical retail chain operation has maintained the leading position in both retail drug store numbers and comprehensive competitiveness within Fujian Province. The Group continues to allocate resources to look for business opportunities to expand the pharmaceutical wholesale, distribution and retail chain businesses. The turnover contributed by the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses for the period under review was approximately HK\$840.439 million (2013: approximately HK\$1,067.674 million), decreased by approximately about 21.28%.

Future Prospects

Following a series of policy being released in favor of non-public hospital development in the PRC last year, the further impact of the opening policy of healthcare service industry by the State Council is nothing but positive in terms of becoming more practical and useful in the implementation of the policy. The management of the Group has noticed some of those measures have already produced noticeable effects on the active involvement of non-public hospital to deliver the quality and affordable healthcare services to the public. One of them is the loosening on the pricing restrictions. We believe that there will be more policy of the same kind be announced in the near future. At the same time, the fast growth of the number of private hospitals has further confirmed the notion that the healthcare market is becoming more open and responsive to the needs of the public.

It is under such circumstances that the management of the Group holds positive view of the future of the hospital businesses in the PRC for the year 2014/2015. The increasing desire from the public for quality and affordable services has opened up more opportunities for the Group as our hospitals are positioned in those regions with well focused medical specialties and experienced personnel. As a result, the trend will improve the patient visits and services at the hospitals that the Group operates. The latest acquisition of the Zhuhai Jiulong Hospital will certainly take the advantages of the market growth and contribute to the turnover of the Group. While the management continue to believe the strong need for further expansion of the hospitals in terms of numbers and services, the efficiency and quality of hospital management is the key to the sustainable growth of the healthcare businesses in the PRC. Therefore, the Group has allocated more resources to support this effort.

As the healthcare reform in the PRC has moved forward, the privatization of state-owned hospitals and the need to work more closely with private hospitals will help the Group develop more businesses along those directions. The Group will continue to explore the various opportunities and ensure the smooth and successful development in the near future.



Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$110.577 million as at 30 September 2014 (31 March 2014: approximately HK\$92.418 million).

The Group recorded total current assets of approximately HK\$840.846 million as at 30 September 2014 (31 March 2014: approximately HK\$773.575 million) and total current liabilities of approximately HK\$514.626 million as at 30 September 2014 (31 March 2014: approximately HK\$410.818 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.634 as at 30 September 2014 (31 March 2014: approximately 1.883).

Gearing ratio (total borrowings (comprises bill payables, bank borrowings, convertible note and promissory note), net of pledged bank deposits and cash and bank balances, over equity attributable to owners of the Company) as at 30 September 2014 was 46.11% (31 March 2014: 12.52%).

Contingent Liabilities

As at 30 September 2014, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group (31 March 2014: Nil).

Financing and Treasury Policies

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

Foreign Exchange Risk

Almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2014.

Material Acquisitions and Disposals

During the period under review, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures except for that on 1 September 2014, Fuzhou Jiahui Enterprise Management Consultancy Limited, an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement to acquire (i) the entire equity interest of the Zhuhai Jiulong Hospital and (ii) the shareholders' loan, from the vendors at the consideration of approximately RMB37.941 million (equivalent to approximately HK\$47.666 million). The said acquisition was completed on 4 September 2014. For further details, please refer to the Company's announcements dated 1 September 2014 and 24 September 2014.

Charges on the Group's Assets

As at 30 September 2014, the Group's bank deposits of approximately HK\$35.260 million (31 March 2014: approximately HK\$17.431 million) were pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2014, the Group had 2,197 (31 March 2014: 1,720) full time employees. During the six months ended 30 September 2014, the staff costs, including Directors' remuneration, totalled approximately HK\$57.405 million (2013: approximately HK\$49.563 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group. The Group's employment and remuneration policies remained the same as detailed in its annual report for the year ended 31 March 2014.

Legal Proceedings

On 12 April 2014, Fuzhou Huihao as plaintiff initiated legal proceedings against a customer ("case") at the People's Court of Minhou County for a sale and purchase agreement. The case was closed on 16 September 2014 and judgement was awarded in favour of the Company.

Significant Events After the Reporting Period

No significant event took place subsequent to the end of the reporting period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Disclosure of Interests

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in shares of the Company:

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung Kwok Leong	Corporate interest (Note 1)	120,960,500	Long	10.45%
	Personal interest (Note 2)	396,031,016	Long	34.22%
Mr. Zheng Gang	Personal interest	3,104,000	Long	0.27%
Dr. Jiang Tao	Personal interest	2,000,000	Long	0.17%
Mr. Chen Jin Shan (resigned on 10 October 2014)	Personal interest	444,000	Long	0.04%
Dr. Huang Jiaqing	Personal interest	1,000,000	Long	0.09%

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

Note 2: The 396,031,016 shares represent (i) the 136,546,875 shares beneficially owned by Mr. Yung Kwok Leong, and (ii) the 259,484,141 convertible preference shares.

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

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

Notes:

- Hua Xia Healthcare Holdings Limited held the entire issued share capital of Greatly Wealth Global Group Limited (“**Greatly Wealth**”), a company incorporated in the BVI with limited liability, which is in turn interested in 411,917,648 shares of Wanjia Group, a company incorporated in the Cayman Islands with limited liability of which its shares are listed on the Main Board of the Stock Exchange (representing approximately 63.53% of the issued share capital of Wanjia Group). Therefore, Wanjia Group is an associated corporation of the Company for the purposes of the SFO.
- These shares are held through Easeglory, the entire issued share capital of which is owned by Marshal which is in turn wholly and beneficially owned by Mr. Yung Kwok Leong.

(iii) *Interests in share options under Post-IPO share option scheme:*

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000	Long
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380	Long
Mr. Zheng Gang	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084	Long
Dr. Huang Jiaqing	23 March 2010 to 22 March 2015	HK\$1.12	312,676	Long
Mr. Chen Jin Shan <i>(resigned on 10 October 2014)</i>	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507	Long

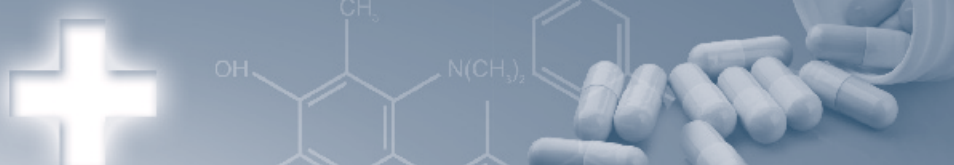
Save as disclosed above, as at 30 September 2014, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2014, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Position</u>	<u>Capacity</u>	<u>Approximate percentage of the total issued shares</u>
Marshal International Investments Limited (<i>Note 1</i>)	120,960,500	Long	Corporate interest	10.45%
Easeglory Holdings Limited (<i>Note 1</i>)	120,960,500	Long	Beneficial owner	10.45%
Mrs. Yung Muk Ying (<i>Note 1</i>)	518,691,516	Long	Interest of spouse	44.82%
南方希望實業有限公司 (<i>Note 2</i>)	343,217,539	Long	Corporate interest	29.65%
新希望集團有限公司 (<i>Note 2</i>)	343,217,539	Long	Corporate interest	29.65%
New Hope International (Hong Kong) Limited (<i>Note 2</i>)	343,217,539	Long	Beneficial owner	29.65%
Mr. Liu Yonghao (<i>Note 2</i>)	343,217,539	Long	Corporate interest	29.65%
Ms. Liu Chang (<i>Note 2</i>)	343,217,539	Long	Corporate interest	29.65%
Ms. Li Wei (<i>Note 2</i>)	343,217,539	Long	Corporate interest	29.65%



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

Note 1: The issued share capital of Easeglory is 100% beneficially owned by Marshal which is in turn beneficially owned by Mr. Yung Kwok Leong, an executive Director and the Chairman of the Board and Chief Executive Officer of the Company. By virtue of her being the spouse of Mr. Yung Kwok Leong, Mrs. Yung Muk Ying is deemed to be interested in 120,960,500 shares held by Easeglory, 136,546,875 shares, 1,700,000 share options and 259,484,141 convertible preference shares beneficially held by Mr. Yung Kwok Leong in personal capacity.

Note 2: New Hope International (Hong Kong) Limited is interested in 343,217,539 convertible preference shares of the Company. The issued share capital of New Hope International (Hong Kong) Limited is 75% beneficially owned by 南方希望實業有限公司 which is in turn 51% held by 新希望集團有限公司 and 49% is held by 西藏恒業鋒實業有限公司.

Both 新希望集團有限公司 and 西藏恒業鋒實業有限公司 are beneficially held by Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei in shareholding proportionate among them as 62.34%, 36.35% and 1.31% respectively. Therefore, Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are interested in shares of the Company.

Note 3: Mr. Zhan Guo Tuan is interested in 60,000,000 shares of the Company. Ms. Lin Zhen Jin is deemed to be interested in 60,000,000 shares by virtue of her being the spouse of Mr. Zhan Guo Tuan.

Note 4: The issued share capital of Rubyland Investments Limited, a company incorporated in the BVI with limited liability, is 100% beneficially owned by Mr. Lau Kim Hung, Jack.

The 64,016,000 shares represent (i) 60,000,000 shares are held through Rubyland Investments Limited; and (ii) 4,016,000 shares are held through Bountiful Resources Limited, a company incorporated in the BVI with limited liability, the entire issued share capital of which are both owned by Mr. Lau Kim Hung, Jack.

By virtue of her being the spouse of Mr. Lau Kim Hung, Jack, Ms. Chan Yiu Kan, Katie is deemed to be interested in 60,000,000 shares held by Rubyland Investments Limited and 4,016,000 shares held by Bountiful Resources Limited.

Save as disclosed above, as at 30 September 2014, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

As at 30 September 2014, there were 32,801,287 outstanding share options granted pursuant to the Post-IPO share option scheme adopted on 20 April 2002. A breakdown setting out the number of outstanding share options, their respective exercise price and respective exercise period under the Post-IPO scheme was as follows:

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Mr. Yung Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380
Mr. Zheng Gang	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084
Dr. Huang Jiaqing	23 March 2010 to 22 March 2015	HK\$1.12	312,676
Mr. Chen Jin Shan <i>(resigned on 10 October 2014)</i>	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$3.61	459,739
	21 March 2007 to 20 March 2017	HK\$2.94	1,042,253
	30 September 2009 to 29 March 2019	HK\$0.50	450,000
	23 March 2010 to 22 March 2015	HK\$1.12	21,574,648
Total			<u>32,801,287</u>



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

During the period under review, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

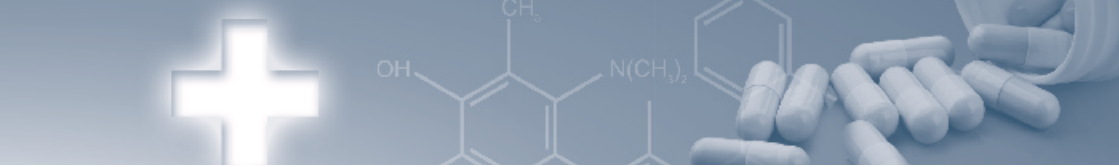
CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2014 except for the following deviation:

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



During the period under review, the roles of chairman and chief executive officer of the Company are not segregated and are exercised by the same individual. Mr. Yung Kwok Leong serves as the chairman and chief executive officer. The Board believes that vesting the roles of the Chairman and the chief executive officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency.

REMUNERATION COMMITTEE


The Remuneration Committee was established on 3 June 2005 in compliance with the code provision. The Remuneration Committee consists of Mr. Zheng Gang, an executive Director and three independent non-executive Directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Ms. Wong Ka Wai, Jeanne is the Chairlady of the Remuneration Committee.

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 11 February 2014, the Board resolved to establish a Nomination and Corporate Governance Committee in place and stead of the previously Nomination Committee, which was established on 27 March 2012 in compliance with the code provision.

The Nomination and Corporate Governance Committee comprised of Mr. Yung Kwok Leong, an executive Director and three independent non-executive Directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. Mr. Yung Kwok Leong is the chairman of the Nomination and Corporate Governance Committee.



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

AUDIT COMMITTEE

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

The Group's unaudited condensed consolidated results for the period under review were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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

Hong Kong, 13 November 2014