



**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)

FIRST  
QUARTERLY  
REPORT  
**2017/2018**

\*For identification purpose only

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*This 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 GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in This 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 revenue of approximately HK\$80.43 million for the three months ended 30 June 2017 as compared with HK\$60.05 million in the corresponding period in 2016, representing an increase of approximately 33.94%.
- Gross profit margin of the Group was approximately 72.44% for the three months ended 30 June 2017, compared with 72.54% in the corresponding period in year 2016, with the gross profit margin maintained at a similar level.
- The Group has recorded a profit from continuing operations attributable to owners of the Company for the three months ended 30 June 2017 of approximately HK\$0.764 million as compared with a loss of HK\$2.9 million in the corresponding period in 2016.
- The Directors do not recommend the payment of dividend for the three months ended 30 June 2017 (2016: Nil).

## FIRST QUARTERLY RESULTS (UNAUDITED)

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 ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

### Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the three months ended 30 June 2017

		Three months ended 30 June	
	Note	2017 HK\$'000 (unaudited)	2016 HK\$'000 (restated) (unaudited)
<b>Continuing operations</b>			
Revenue	3	80,426	60,047
<b>Cost of sales</b>		<b>(22,165)</b>	(16,486)
<b>Gross profit</b>		<b>58,261</b>	43,561
Other revenue		100	281
Selling and distribution expenses		(34,113)	(32,801)
Administrative expenses		(19,547)	(11,374)
<b>Profit/(loss) from operations</b>		<b>4,701</b>	(333)
Finance costs		(639)	(998)
<b>Profit/(loss) before taxation</b>		<b>4,062</b>	(1,331)
Taxation	4	(1,663)	(576)
<b>Profit/(loss) for the period from continuing operations</b>		<b>2,399</b>	(1,907)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(2,333)
<b>Profit/(loss) for the period</b>		<b>2,399</b>	(4,240)
<b>Other comprehensive loss for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(11,075)	(24,422)
<b>Total comprehensive loss for the period</b>		<b>(8,676)</b>	(28,662)

		<b>Three months ended</b>	
		<b>30 June</b>	
	Note	<b>2017</b>	2016
		<b>HK\$'000</b>	HK\$'000
			(restated)
		<b>(unaudited)</b>	(unaudited)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		764	(5,850)
Non-controlling interests		<u>1,635</u>	<u>1,610</u>
		<u><u>2,399</u></u>	<u><u>(4,240)</u></u>
<b>Total comprehensive Loss for the period attributable to:</b>			
Owners of the Company		(12,289)	(37,050)
Non-controlling interests		<u>3,613</u>	<u>8,388</u>
		<u><u>(8,676)</u></u>	<u><u>(28,662)</u></u>
<b>Dividends</b>	6	<u><u>–</u></u>	<u><u>–</u></u>
<b>Profit/(loss) per share attributable to owners of the Company</b>			
From continuing and discontinued operations			
– Basic and diluted (HK cents)		<u><u>0.032</u></u>	<u><u>(0.344)</u></u>
From continuing operations			
– Basic and diluted (HK cents)	5	<u><u>0.032</u></u>	<u><u>(0.17)</u></u>

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2017

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total equity HK\$'000	
	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	(Accumulated losses)/ retained profits HK\$'000			Sub-total 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	212,281	394,346
Loss for the period	-	-	-	-	-	-	-	-	-	-	(5,850)	(5,850)	1,610	(4,240)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(31,201)	-	-	-	2	(31,200)	6,778	(24,422)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(31,201)	-	-	-	(5,848)	(37,050)	8,388	(28,662)
Transfer to Stationary Reserve	-	-	-	-	-	-	-	-	-	(197)	-	(197)	-	(197)
At 30 June 2016 (unaudited)	17,978	351,261	295,610	(126,113)	-	(6,735)	(17,269)	27,422	10,232	42,925	(450,592)	144,719	220,768	365,487
At 1 April 2017 (audited)	24,568	400,239	295,610	-	(754)	(6,735)	6,157	16,280	2,537	13,501	(50,779)	243,613	44,282	287,895
Profit for the period	-	-	-	-	-	-	-	-	-	-	764	764	1,635	2,399
Exchange difference on translating foreign operations	-	-	-	-	-	-	(13,053)	-	-	-	-	(13,053)	1,978	(11,075)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(13,053)	-	-	-	764	(12,289)	3,613	(8,676)
Transfer to stationary reserve	-	-	-	-	-	-	-	-	-	(589)	-	(589)	-	(589)
At 30 June 2017 (unaudited)	24,568	400,239	295,610	-	(754)	(6,735)	(6,896)	16,280	2,537	12,912	(507,026)	230,735	47,895	278,630

### Note:

- (a) As at 30 June 2017, the total issued share capital of the Company was approximately HK\$24.567 million (2016: approximately HK\$17.977 million) divided into 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2016: 1,699,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (2016: HK\$0.01 each).

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

*For the three months ended 30 June 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 People's Republic of China (the “**PRC**”).

## 2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the three months ended 30 June 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, 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 except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 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**”), which have become effective in this period as detailed in notes to the 2016/17 Financial Statements. The Directors believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

Certain comparative amounts have been restated to confirm with the current period's presentation and accounting treatment.

### 3. Revenue

Revenue represents the provision of general hospital services during the period. The analysis of the Group's revenue for the periods is as follows:

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(restated)
		(unaudited)
<b>Revenue</b>		
Continuing operations		
Provision of general hospital services	<u>80,426</u>	<u>60,047</u>

### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed consolidated 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, distribution and pharmaceutical retail chain businesses and the provision of general hospital services in the PRC (2016: approximately 25%).

### 5. Earning/(loss) per share

The calculation of the basic and diluted earning/(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) attributable to holders of ordinary shares of the Company	<u>764</u>	<u>(5,850)</u>
Weighted average number of ordinary shares in issue	<u>2,358,249,944</u>	<u>1,699,249,944</u>



*From continuing operations*

	2017 <i>HK'000</i>	2016 <i>HK'000</i> (restated)
Profit/(loss) for the year attributable to holders of ordinary shares of the Company	764	(5,850)
<i>Less:</i>		
Loss for the year from discontinued operations	—	2,953
Profit/(loss) for the year from continuing operations	<u>764</u>	<u>(2,897)</u>
Weighted average number of ordinary shares in issue	<u>2,358,249,944</u>	<u>1,699,249,944</u>

*From discontinued operations*

For the three month ended 30 June 2016, basic loss per share from discontinued operations is HK0.17 cents, based on the loss for the year from discontinued operations attributable to owner of the Company of approximately HK\$2,953,000.

*(b). Diluted loss per share*

During the year ended 30 June 2016, the computation of diluted loss per share did not assume the conversion of the Company's outstanding share option and outstanding convertible bonds since the effect of such conversion was anti-dilutive.

**6. Dividends**

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2017 (2016: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### General hospital services

The turnover generated from four general hospitals for the three months ended 30 June 2017 amounted to approximately HK\$80.43 million (2016: approximately HK\$60.05 million for three general hospitals), representing an increase of approximately 33.94% compared with the same period last year.

### Discontinued operations – Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

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

The Group no longer participates in the pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC upon the completion of the distribution on 2 March 2017. As a result, the gain or loss from the pharmaceutical wholesale, distribution and pharmaceutical retail chain business engaged by the Disposal Group have been classified as discontinued operations.

For more details of the distribution, please refer to the announcements of the Company dated 9 November 2016, 27 January 2017, 16 February 2017 and 2 March 2017 respectively, and the circular of the Company date 27 January 2017.

### Expenses

Selling and distribution expenses for the three months ended 30 June 2017 amounted to approximately HK\$34.113 million (2016: approximately HK\$32.801 million), representing an increase of approximately 4.00% compared with the same period last year. The increase was due to the increase in general hospital services.

Administrative expenses for the three months ended 30 June 2017 amounted to approximately HK\$19.547 million (2016: approximately HK\$11.374 million), representing an increase of approximately 71.86%. The increase was mainly related to the increase in general hospital services.

## **Profit/(loss) attributable to owners of the Company**

The Group has recorded a profit from continuing operations attributable to owners of the Company for the three months ended 30 June 2017 of approximately HK\$0.764 million as compared with a loss of HK\$2.9 million in the corresponding period in 2016. The net profit was mainly attributable to the increase in general hospitals services.

## **Business Review and Outlook**

### **General hospital services**

During the three months ended 30 June 2017, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing in the PRC, principally engaged in the provision of general hospital services, including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The turnover generated from the provision of general hospital services for the three months ended 30 June 2017 was approximately HK\$80.43 million (2016: approximately HK\$60.05 million), representing an increase of approximately 33.94% compared with the same period last year.

### **Future Prospects**

The healthcare market has continued to expand in China and the number of private hospitals has increased. At the same time, the State Council of the PRC has issued a number of important policies in support of the private investment in the diversified healthcare services. Specific medical services have been outlined to guide the further investment and development of social capitals, including individualised chronic disease management, general medicine and more. As 2020 is approaching, the needs to fulfill the promises of the accessible quality healthcare to the citizens of the country dictate the rapid and concrete actions by the both government and the industry, thus creating more opportunities for the Company.

The management has full confidence about our future development of taking the advantages of the present market trends and increasing financial support. We will continue to improve the service standard and technology in existing hospitals and provide medical services that are required by local communities according to market demand. While the management continues to improve the services and revenue from the existing hospitals, we have actively explored the specific medical services to address the great needs of the market in combination with the cooperation with the leading healthcare training and research institutions in the world. Chronic disease treatment and management have become a priority because of the size of the market and high demand for quality technologies and services. The management has already planned to get involved in this area and the preliminary results have confirmed the value and potentials of further development. We believe 2017 will see to the fruition of the efforts in this direction.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

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

- (a) GBP198,000 (equivalent to approximately HK\$1,980,000) shall be paid four (4) months after the Commencement Date (or the business day immediately following that date);
- (b) GBP386,000 (equivalent to approximately HK\$3,860,000) shall be paid on the first anniversary of the Commencement Date (or the business day immediately following that date); and
- (c) GBP386,000 (equivalent to approximately HK\$3,860,000) shall be paid on the second anniversary of the Commencement Date (or the business day immediately following that date).

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

## 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 June 2017, 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 and underlying shares of the Company:***

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung Ka Chun	Personal interest (Note 1)	2,640,000	Long	0.11%
	Corporate interest (Note 1)	516,991,516	Long	21.92%
Mr. Lin Jinzong	Corporate interest (Note 2)	320,000,000	Long	13.57%

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.39%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.26%
Dr. Huang Jiaqing	Personal interest	1,400,000	Long	0.06%

Notes:

- (1) Easeglory Holdings Limited (“**Easeglory**”) is interested in 418,491,516 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Easeglory is wholly-owned by Mr. Yung Ka Chun. Mr. Yung Ka Chun is deemed to be interested in the shares and the convertible preference shares in which Easeglory is interested in under the SFO.
- (2) Kingfull Corporate Development Limited (“**Kingfull**”) is interested in 320,000,000 shares of the Company. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested in under the SFO.

***(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
Nil	–	–	–	–	–

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

<b>Name of Director</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options granted</b>	<b>Position</b>
Dr. Jiang Tao	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000	Long
Mr. Zheng Gang	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000	Long
Mr. Yung Ka Chun	18 April 2015 to 17 April 2018	HK\$0.68	3,960,000	Long
Dr. Huang Jiaqing	18 April 2015 to 17 April 2018	HK\$0.68	4,200,000	Long
Dr. Wong Yu Man, James	18 April 2015 to 17 April 2018	HK\$0.68	1,000,000	Long
Mr. Tang Xun	18 April 2015 to 17 April 2018	HK\$0.68	3,000,000	Long

Save as disclosed above, as at 30 June 2017, 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 of the Company**

As at 30 June 2017, 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:***

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Easeglory Holdings Limited ("Easeglory") (Note 1)	516,991,516	Long	Beneficial owner	21.92%
New Hope International (Hong Kong) Limited (Note 2)	343,217,539	Long	Beneficial owner	14.55%
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
New Hope Group Co., Ltd.# (新希望集團有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業峰實業 有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
Mr. Liu Yonghao (Note 2)	343,217,539	Long	Corporate interest	14.55%
Ms. Liu Chang (Note 2)	343,217,539	Long	Corporate interest	14.55%



Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Ms. Li Wei (Note 2)	343,217,539	Long	Interest of spouse	14.55%
Kingfull Corporate Development Limited (Note 3)	320,000,000	Long	Beneficial owner	13.57%

Notes:

- (1) Easeglory Holdings Limited (“**Easeglory**”) is interested in 418,491,516 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Easeglory is wholly-owned by Mr. Yung Ka Chun. Mr. Yung Ka Chun is deemed to be interested in the shares and the convertible preference shares in which Easeglory is interested in under the SFO.

Easeglory has charged 418,491,516 shares and 98,500,000 convertible preference shares to Golden Prince Group Limited (“**Golden Prince**”) and Mr. Ng Leung Ho respectively. The issued capital of Golden Prince is wholly-owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho is deemed to be interested in the 418,491,516 shares and is interested in the 98,500,000 convertible preference shares.

- (2) New Hope International (Hong Kong) Limited (“**New Hope International**”) is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International is owned as to 75% by Southern Hope Enterprise Co., Ltd.<sup>#</sup> which is in turn owned as to 51% by New Hope Group Co., Ltd.<sup>#</sup> and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.<sup>#</sup> Both New Hope Group Co., Ltd.<sup>#</sup> and Tibet Hengye Feng Industrial Co., Ltd.<sup>#</sup> 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. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International is interested in.
- (3) Kingfull Corporate Development Limited (“**Kingfull**”) is interested in 320,000,000 shares of the Company. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested in under the SFO.

Save as disclosed above, as at 30 June 2017, 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 June 2017, there was a total of 65,090,000 outstanding share options, of which representing approximately 2.76% of the issued share capital of the Company. All of which were granted pursuant to the share option schemes adopted on 20 April 2002 and 10 August 2011. A breakdown setting out the number of share options outstanding, their respective exercise prices and their respective exercise periods were as follows:

Categories of grantees	Exercise period	Exercise price	Number of options outstanding
<i>Directors</i>			
Dr. Jiang Tao	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000
Mr. Zheng Gang	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000
Mr. Yung Ka Chun	18 April 2015 to 17 April 2018	HK\$0.68	3,960,000
Dr. Huang Jiaqing	18 April 2015 to 17 April 2018	HK\$0.68	4,200,000
Dr. Wong Yu Man, James	18 April 2015 to 17 April 2018	HK\$0.68	1,000,000
Mr. Tang Xun	18 April 2015 to 17 April 2018	HK\$0.68	3,000,000
Employees of the Group	30 September 2009 to 29 March 2019	HK\$0.50	450,000
	18 April 2015 to 17 April 2018	HK\$0.68	43,660,000
Total			<u>65,090,000</u>

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

During the three months ended 30 June 2017, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 June 2017, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of the 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 three months ended 30 June 2017.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2017.

## REMUNERATION COMMITTEE

The Company established the remuneration committee of the Company (“**Remuneration Committee**”) on 3 June 2005 in compliance with the code provision. The Remuneration Committee has five members comprising an executive Director, Mr. Zheng Gang, and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Remuneration Committee.

The role and function of the Remuneration Committee include the determination of 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 of the Company (the “**Nomination and Corporate Governance Committee**”) in place and stead of the previous nomination committee of the Company, which was established on 27 March 2012 in compliance with the code provision. The Nomination and Corporate Governance Committee has five members comprising the chief executive officer, Dr. Jiang Tao, and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Dr. Jiang Tao is the chairman of the Nomination 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 of the Company (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 comprised of four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

The Group’s unaudited condensed consolidated results for the three months ended 30 June 2017 has not been audited by the auditors of the Company, but 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**  
**Jiang Tao**  
*Chief Executive Officer*

Hong Kong, 11 August 2017

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

*This report will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.huaxia-healthcare.com>.*