



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)

Interim Report
2017/2018

* 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 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 total revenue of approximately HK\$159.504 million for the six months ended 30 September 2017 as compared with approximately HK\$120.687 million in the corresponding period in year 2016, representing an increase of approximately 32.16%.
- Gross profit margin of the Group was approximately 72.91% for the six months ended 30 September 2017, compared with 73.73% in the corresponding period in year 2016, representing a decrease of approximately 0.82 percentage points.
- The Group has recorded a loss attributable to owners of the Company for the six months ended 30 September 2017 of approximately HK\$0.788 million (2016: loss attributable to owners of the Company of approximately HK\$21.276 million).
- The Directors do not recommend the payment of a dividend for the six months ended 30 September 2017 (2016: Nil).

INTERIM 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 and six months ended 30 September 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (restated) (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (restated) (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)

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

		30 September	31 March
		2017	2017
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(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
		<u>251,720</u>	<u>250,015</u>
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
		<u>132,859</u>	<u>132,325</u>
Total assets		<u>384,579</u>	<u>382,340</u>
EQUITY			
Capital and reserves			
Share capital	10	24,568	24,568
Reserves		207,898	219,045
Equity attributable to owners of the Company		<u>232,466</u>	243,613
Non-controlling interests		<u>54,472</u>	44,282
Total equity		<u>286,938</u>	<u>287,895</u>

		30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade and other payables	<i>11</i>	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
		<u>56,165</u>	<u>61,234</u>
Non-current liabilities			
Promissory note		41,286	33,021
Deferred taxation		190	190
		<u>41,476</u>	<u>33,211</u>
Total liabilities		<u>97,641</u>	<u>94,445</u>
Total equity and liabilities		<u>384,579</u>	<u>382,340</u>
Net current assets		<u>76,694</u>	<u>71,091</u>
Total assets less current liabilities		<u>328,414</u>	<u>321,106</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company												Total equity HK\$'000
	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	
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
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	287,895
Loss for the period	-	-	-	-	-	-	-	-	-	-	(788)	(788)	2,307
Exchange difference on translating foreign operations	-	-	-	-	-	-	5,467	-	-	-	(12,713)	(7,246)	7,884
Total comprehensive loss for the period	-	-	-	-	-	-	5,467	-	-	-	(13,501)	(8,034)	10,191
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	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 HK\$'000 (Unaudited)	2016 HK\$'000 (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 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue				
Continuing operations				
– Provision of general hospital services	<u>79,078</u>	<u>60,640</u>	<u>159,504</u>	<u>120,687</u>
Results				
Continuing operations				
– Provision of general hospital services	<u>4,806</u>	<u>3,656</u>	<u>12,509</u>	<u>5,350</u>
Unallocated other revenue and income	<u>122</u>	<u>120</u>	<u>242</u>	<u>241</u>
Unallocated corporate expenses	<u>(2,879)</u>	<u>(7,516)</u>	<u>(6,001)</u>	<u>(9,664)</u>
Profit/(loss) from operations	<u>2,049</u>	<u>(3,740)</u>	<u>6,750</u>	<u>(4,073)</u>
Finance costs	<u>(318)</u>	<u>(958)</u>	<u>(957)</u>	<u>(1,956)</u>
Profit/(loss) before taxation	<u>1,731</u>	<u>(4,698)</u>	<u>5,793</u>	<u>(6,029)</u>
Taxation	<u>(2,611)</u>	<u>(546)</u>	<u>(4,274)</u>	<u>(1,122)</u>
Profit/(loss) for the period from continuing operation	<u>(880)</u>	<u>(5,244)</u>	<u>1,519</u>	<u>(7,151)</u>
Discontinued operations				
Loss for the period from discontinuing operation	<u>–</u>	<u>(9,288)</u>	<u>–</u>	<u>(11,621)</u>
	<u>(880)</u>	<u>(14,532)</u>	<u>1,519</u>	<u>(18,772)</u>

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 HK\$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2017 (unaudited)</i>			
Assets			
Segment assets	226,835	–	226,835
Unallocated corporate assets			<u>157,744</u>
Consolidated total assets			<u><u>384,579</u></u>
Liabilities			
Segment liabilities	52,136	–	52,136
Promissory note			41,286
Convertible note			–
Deferred taxation			190
Unallocated corporate liabilities			<u>4,029</u>
Consolidated total liabilities			<u><u>97,641</u></u>

	Provision of general hospital services HK\$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK\$'000	Consolidated 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 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (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
	HKS'000	HKS'000	HKS'000	HKS'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
	<u>318</u>	<u>958</u>	<u>957</u>	<u>1,956</u>

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	<u>40,000,000,000</u>	<u>400,000</u>
	<u>150,000,000,000</u>	<u>1,500,000</u>
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	<u>98,500,000</u>	<u>985</u>
	<u>2,456,749,944</u>	<u>24,568</u>

11. Trade and other payables

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables	21,482	17,885
Receipts in advance	1,017	1,027
Accruals and other payables	<u>17,866</u>	<u>19,894</u>
	<u>40,365</u>	<u>38,806</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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (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
	<u>21,482</u>	<u>17,885</u>

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 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	2,957	2,761
Share-based payment expenses	–	2,200
	<u>2,957</u>	<u>4,961</u>

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 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Non-controlling shareholder of Edward Hospital Company Limited	Management fee paid	<u>532</u>	<u>631</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2017 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$159.504 million (2016: approximately HK\$120.687 million), representing an increase of approximately 32.16% as compared with the same period last year.

Selling and distribution expenses for the period under review amounted to approximately HK\$72.148 million (2016: approximately HK\$65.336 million), an increase of approximately 10.43%.

Administrative expenses for the period under review amounted to approximately HK\$37.561 million (2016: approximately HK\$24.731 million), an increase by approximately about 51.88%.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.788 million for the period under review (2016: loss attributable to owners of the Company of approximately HK\$21.276 million), representing a decrease in the loss attributable to owners of the Company as compared with the same period last year.

Business Review and Outlook

General hospital services

During the six months ended 30 September 2017, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing principally engaged in the provision of 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 hospitals for the six months ended 30 September 2017 was approximately HK\$159.504 million (2016: approximately HK\$120.687 million), an increase by approximately about 32.16%. The significant increase in turnover was due to the acquisition of Beijing hospital on 30 September 2016.

Future Prospects

As the economy continues to grow strongly in China, the focus on the healthcare of the citizens of the country has further been strengthened in all aspects from the service delivery models to the shift of care towards the effective prevention and efficient treatment. The reform of the public hospitals, especially those top class institutions, intends to encourage patients to begin their search for better services from the primary care agencies, thus reducing pressure at the acute medical facilities. This policy is considered a positive approach to creating more opportunities for not only for the local healthcare providers, but also for private hospitals that are specialized in the management of a wide range of diseases and health problems. The management of the Group is confident that the Group is well poised to take advantage of this reform and favorable outcomes. The Group's hospitals will continue to improve the quality of services and the new medical technologies in the present market.

At the same time, the Group will continue to explore the development opportunities for the existing and future hospitals in special medical fields and markets. At the same time, the Group has fully recognized the need to improve the skills, medical technologies and service models facing the strong competition associated with the opportunities. The cooperation with the world class institutions and partners in healthcare is one of the objectives that the Group will commit to ahead of the upcoming of the year 2020.

Capital Structures, Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$70.002 million as at 30 September 2017 (31 March 2017: approximately HK\$81.963 million).

The Group recorded total current assets of approximately HK\$132.859 million as at 30 September 2017 (31 March 2017: approximately HK\$132.325 million) and total current liabilities of approximately HK\$56.165 million as at 30 September 2017 (31 March 2017: approximately HK\$61.234 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.366 as at 30 September 2017 (31 March 2017: approximately 2.161).



Gearing Ratio

Gearing ratio (total borrowings comprises bill payables, bank borrowings, convertible note and promissory note, net of cash and bank balances, over equity attributable to owners of the Company) as at 30 September 2017 was approximately N/A (31 March 2017: approximately N/A).

Capital Commitment

As at 30 September 2017, the Group had no material capital commitment (31 March 2017: Nil).

Significant Investments Held

As at 30 September 2017, the Group did not hold any significant investment (31 March 2017: Nil).

Contingent Liabilities

As at 30 September 2017, 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 2017: 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.

Dividends

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


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 2017.

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 GBP406,000 (equivalent to approximately HK\$4,060,000) to the University for the establishment of the Institute, and GBP772,000 (equivalent to approximately HK\$7,720,000) (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) 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
- (b) 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.

Save as disclosed above, during the period under review, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

Profit Guarantee

On 14 September 2016, Best Winna Investment Holding Limited (“**Best Winna**”), a wholly-owned subsidiary of the Company, as purchaser, entered into the sale and purchase agreement (the “**Glowing Smart Acquisition Agreement**”) with Kingfull Corporate Development Limited (“**Kingfull**”) as vendor and Mr. Lin Jinzong (“**Mr. Lin**”) as vendor guarantor, for the acquisition of (a) the entire issued share capital of Glowing Smart Investment Limited (“**Glowing Smart**”), and (b) all obligations, liabilities and debts owing or incurred by Glowing Smart to Kingfull on or at any time prior to the completion, from Kingfull, at an aggregate consideration of HK\$149,501,540, which was satisfied by the combination of cash in the amount of HK\$47,101,540, and the balance of HK\$102,400,000 by the issue and allotment of 320,000,000 consideration shares at the issue price of HK\$0.32 per share, which was completed on 30 September 2016 (the “**Completion Date**”).

Pursuant to the Glowing Smart Acquisition Agreement, Kingfull and Mr. Lin had irrevocably warranted and guaranteed to Best Winna that the audited net profit after tax and extraordinary or exceptional items but before minority interests of Beijing Tongji Hospital Co., Limited# (北京同濟醫院有限公司) (the “**Actual Profit**”) for the twelve-month period since the Completion Date (the “**Relevant Period**”) shall be not less than HK\$12,000,000. As security for the performance of the obligations of Kingfull under the profit guarantee, Kingfull had deposited all the share certificate(s) of the 320,000,000 consideration shares in escrow with the Company on the Completion Date.

The Actual Profit for the Relevant Period was approximately HK\$13,060,000, as a result, the profit guarantee was achieved and the share certificate(s) of the 320,000,000 consideration shares held in escrow with the Company will be released to Kingfull accordingly.

For more details of the acquisition, please refer to the announcements of the Company dated 14 September 2016 and 30 September 2016.

Charges on the Group’s Assets

As at 30 September 2017, the Group’s bank deposits of approximately HK\$Nil (31 March 2017: approximately HK\$Nil) were pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2017, the Group had 1052 (31 March 2017: 870) full time employees. During the six months ended 30 September 2017, the staff costs, including Directors’ remuneration, totalled approximately HK\$34.906 million (2016: approximately HK\$93.865 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 2017.

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 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%
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:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
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 September 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

As at 30 September 2017, other than the interests of Directors or chief executives 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%
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.[#] which is in turn owned as to 51% by New Hope Group Co., Ltd.[#] and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.[#] 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. 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 September 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 September 2017, there were 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 outstanding share options, their respective exercise prices and respective exercise periods was as follows:

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Mr. Yung Ka Chun	18 April 2015 to 17 April 2018	HK\$0.68	3,960,000
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
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 and consultants 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 six months ended 30 September 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 September 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 six months ended 30 September 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 six months ended 30 September 2017.

REMUNERATION COMMITTEE

The remuneration committee of the Company (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 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 previously Nomination Committee, which was established on 27 March 2012 in compliance with the code provision. The Nomination and Corporate Governance Committee comprised of Dr. Jiang Tao, an executive Director 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 Audit Committee comprises four members including Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. All of them are the independent non-executive Directors. The chairlady of the Audit Committee is Ms. Wong Ka Wai, Jeanne.

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 Group’s unaudited condensed consolidated results for the period under review has not been audited by the auditor of the Company, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal 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, 10 November 2017

The English transliteration of the Chinese name(s) in this report, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

In this report, translation of GBP into HK\$ based on the exchange rate of GBP1.00 to HK\$10.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or the pound sterling have been, could have been or may be converted at such or any other rate or at all.