



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

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 announcement for which the directors (the “directors”) of Hua Xia Healthcare Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$1,401.286 million for the nine months ended 31 December 2014 as compared to a total turnover of approximately HK\$1,678.766 million recorded in the corresponding period in year 2013, representing a decrease of about 16.53%.
- Loss attributable to owners of the Company for the nine months ended 31 December 2014 was approximately HK\$498.418 million (2013: profit attributed to owners of the Company of approximately HK\$24.310 million).
- Loss attributable to owners of the Company for the three months ended 31 December 2014 was approximately HK\$1.057 million (2013: profit attributed to owners of Company of approximately HK\$5.077 million), proportionately lowered compared to that of the same period last year.
- The basic and diluted loss per share for the nine months ended 31 December 2014 were approximately HK28.319 cents and HK28.313 cents respectively (2013: basic and diluted earnings per share approximately HK1.817 cents and HK1.792 cents respectively).
- The directors do not recommend the payment of a dividend (2013: Nil).

THIRD QUARTERLY 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 nine months ended 31 December 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2014

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	3	475,942	537,236	1,401,286	1,678,776
Cost of sales		(396,123)	(466,531)	(1,204,768)	(1,478,394)
Gross profit		79,819	70,705	196,518	200,382
Other revenue and income		5,172	2,638	13,146	8,955
Selling and distribution expenses		(52,059)	(27,656)	(111,159)	(77,673)
Administrative expenses		(26,095)	(24,791)	(72,636)	(68,217)
Impairment loss on Goodwill		–	–	(785,483)	–
Profit/(loss) from operations		6,837	20,896	(759,614)	63,447
Finance costs		(2,857)	(2,959)	(8,225)	(8,674)
Profit/(loss) before taxation		3,980	17,937	(767,839)	54,773
Taxation	4	(2,319)	(7,225)	(9,571)	(22,228)
Profit/(loss) for the period		1,661	10,712	(777,410)	32,545
Other comprehensive income, net of tax:					
Exchange differences arising on translating foreign operations		714	2,481	1,326	10,040
Total comprehensive income/(loss) for the period		2,375	13,193	(776,084)	42,585

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2014

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2014	2013	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period					
attributable to:					
Owners of the Company		(1,057)	5,077	(498,418)	24,310
Non-controlling interests		<u>2,718</u>	<u>5,635</u>	<u>(278,992)</u>	<u>8,235</u>
		<u>1,661</u>	<u>10,712</u>	<u>(777,410)</u>	<u>32,545</u>
Total comprehensive income/(loss)					
attributable to:					
Owners of the Company		587	7,289	(496,398)	33,236
Non-controlling interests		<u>1,788</u>	<u>5,904</u>	<u>(279,686)</u>	<u>9,349</u>
		<u>2,375</u>	<u>13,193</u>	<u>(776,084)</u>	<u>42,585</u>
Dividends	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,785</u>
Earnings/(loss) per share attributable					
to the owners of the Company					
- Basic (cents)	6	<u>(0.060)</u>	<u>0.308</u>	<u>(28.319)</u>	<u>1.817</u>
- Diluted (cents)		<u>(0.060)</u>	<u>0.304</u>	<u>(28.313)</u>	<u>1.792</u>

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 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 surplus reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (a))		(Note (d))		(Note (b))				(Note (c))					
At 1 April 2013	11,824	190,250	579,395	-	(6,735)	26,304	16,146	2,537	25,454	99,890	945,065	40,974	986,039	
Profit for the period	-	-	-	-	-	-	-	-	-	24,310	24,310	8,235	32,545	
Other comprehensive income, net of tax:														
Exchange difference on translating foreign operations	-	-	-	-	-	8,926	-	-	-	-	8,926	1,114	10,040	
Issue of share options	-	-	-	-	-	-	642	-	-	-	642	-	642	
Issue of non-redeemable convertible preference shares	5,042	114,958	-	-	-	-	-	-	-	-	120,000	-	120,000	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,441)	(2,441)	
Exercise of share options	602	9,372	-	-	-	-	(342)	-	-	-	9,632	-	9,632	
Recognise upon reorganisation	-	-	-	(7,653)	-	-	-	-	-	-	(7,653)	-	(7,653)	
Dividend paid in specie (Note 5)	-	-	(283,785)	(89,926)	-	-	-	-	-	-	(373,711)	373,711	-	
At 31 December 2013	<u>17,468</u>	<u>314,580</u>	<u>295,610</u>	<u>(97,579)</u>	<u>(6,735)</u>	<u>35,230</u>	<u>16,446</u>	<u>2,537</u>	<u>25,454</u>	<u>124,200</u>	<u>727,211</u>	<u>421,593</u>	<u>1,148,804</u>	

	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 surplus reserve	Retained earnings/ (accumulated losses)	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note (a))		(Note (d))	(Note (e))	(Note (b))				(Note (c))					
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	-	-	-	-	-	-	-	-	-	(498,418)	(498,418)	(278,992)	(777,410)	
Exchange difference on transaction of foreign operations	-	-	-	-	-	2,020	-	-	-	-	2,020	(694)	1,326	
Total comprehensive Income/(loss) for the period	-	-	-	-	-	2,020	-	-	-	(498,418)	(496,398)	(279,686)	(776,084)	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	3,542	(3,542)	-	-	-	
Exercise of share options	39	1,969	-	-	-	-	(58)	-	-	-	1,950	-	1,950	
Increase in non-controlling interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,944	9,944	
At 31 December 2014 (unaudited)	<u>17,601</u>	<u>318,938</u>	<u>295,610</u>	<u>(97,455)</u>	<u>(6,735)</u>	<u>34,809</u>	<u>15,587</u>	<u>2,537</u>	<u>40,621</u>	<u>(391,708)</u>	<u>229,805</u>	<u>156,428</u>	<u>386,233</u>	

Notes:

- (a) As at 31 December 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 capitalised listing expenses arose from the separate listing of shares of Wanjia Group during the year ended 31 March 2014.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 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 condensed consolidated financial results for the nine months ended 31 December 2014 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 of the Stock Exchange (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 nine months ended 31 December 2014 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2014 (the “**2013/14 Financial Statements**”), which have become effective in this period as detailed in notes to the 2013/14 Financial Statements. The directors of the Company 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. Turnover

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	407,485	497,159	1,247,863	1,564,833
Provision of general hospital services	68,457	40,077	153,423	113,943
	475,942	537,236	1,401,286	1,678,776

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2013: 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 provision of general hospital services in the PRC (2013: approximately 25%).

5. Dividends

	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period				
2013/14 special interim dividend of HK\$0.12 per share	—	—	—	283,785

The directors do not recommend the payment of a dividend for the three months and the nine months ended 31 December 2014 and on 16 August 2013, a conditional special interim dividend was declared by the Board to be satisfied through a distribution in species by the Company of approximately 36.47% of the issued share capital of Wanjia Group Holdings Limited (“**Wanjia Group**”) after the capitalisation and reorganisation, subject to the spin-off condition (that is the listing sub-committee of the board of the Stock Exchange granting the listing of, and permission to deal in, the shares of Wanjia Group on the Stock Exchange).

The listing approval was obtained on 10 October 2013, and on 11 October 2013, approximately 36.47% of the shares of Wanjia Group were distributed to the owners of the Company pursuant to the Distributions and the shares of Wanjia Group were listed on the Stock Exchange.

6. Earnings/(loss) per share

The calculation of basic loss per share for the three months ended 31 December 2014 was based on the loss of approximately HK\$1.057 million (2013 the calculation of basic earnings per share: profit attributed to owners of Company of approximately HK\$5.077 million) and on the weighted average number of 1,760,089,944 shares (2013: 1,649,779,339 shares).

The calculation of basic loss per share for the nine months ended 31 December 2014 was based on the net loss of approximately HK\$498.418 million (2013 the calculation of basic earnings per share: profit attributed to owners of the Company of approximately HK\$24.310 million) and on the weighted average number of 1,760,019,035 shares (2013: 1,337,650,081 shares).

Diluted earnings/(loss) per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 2014, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2014 and 2013, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2014 and 2013 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

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

	Three months ended 31 December 2014 HK\$'000 (Unaudited)	Nine months ended 31 December 2014 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	<u>(1,057)</u>	<u>(498,418)</u>
Weighted average number of ordinary shares in issue	<u>1,760,089,944</u>	<u>1,760,019,035</u>
Adjustments for assumed exercise of share options	<u>528,960</u>	<u>364,353</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,760,618,904</u>	<u>1,760,383,380</u>
	Three months ended 31 December 2014	Nine months ended 31 December 2014
Diluted loss per share	<u>HK(0.060) cents</u>	<u>HK(28.313) cents</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2014 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$1,401.286 million (2013: approximately HK\$1,678.776 million), representing decrease of 16.53% compared to the same period last year. The decrease in turnover was mainly attributable to decrease in revenue generated from the pharmaceutical wholesales segment as a result of the promulgation and implementation of new Good Supply Practice (“**New GSP**”) in Fujian, the People’s Republic of China in April 2014 which imposes stringent regulations on pharmaceutical distributor operation. Under the New GSP, with effect from the year 2016, only selected pharmaceutical distributors are allowed to distribute medicine to the public hospitals and public healthcare institutions. At the beginning of the promulgation of the proposed tightening policy in April 2014, the effect of the New GSP on the medicine distribution industry as well as the effect on the business of Wanjia is uncertain in both short and long term. However, in view of the New GSP, our existing distributor customers have become very prudent in placing the purchase order to our Group and the repayment period for them increase steadily, we therefore prudently tightened the credit policy to the distributor customers gradually during the nine months period ended 31 December 2014. As such, the sale to our distributor customer have been decreased by approximately 21.87% compared to the corresponding period in year 2013.

Selling and distribution expenses for the period under review amounted to approximately HK\$111.159 million (2013: approximately HK\$77.673 million), a 43.11% increase. More selling and distribution expenses incurred mainly due 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 nine months end 31 December 2014 compared to the corresponding period in year 2013. In addition, the Group operates three hospitals (2013: two hospitals) and a new hospital management service in Shanghai (Shanghai Whole-Care Hospital Management Co., Limited).

Administrative expenses amounted to approximately HK\$72.636 million (2013: approximately HK\$68.217 million), slightly increased by approximately 6.48%.

The Group recorded a loss attributable to owners of the Company of approximately HK\$498.418 million for the period under review (2013: profit attributed to owners of the Company of approximately HK\$24.310 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 one-off impairment loss on goodwill of approximately HK\$785.483 million recognised by our non-wholly owned subsidiary – Wanjia Group, and the loss attributable to owners of the Company for the three months ended 31 December 2014 was HK\$1.057 million (2013: profit attributable to owners approximately HK\$5.077 million), representing a decrease as compared to the same period last year.

Business Review and Outlook

General hospital services

During the nine months ended 31 December 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 nine months ended 31 December 2014 was approximately HK\$153.423 million (2013: approximately HK\$113.943 million), increased by approximately 34.60%

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\$1,247.863 million (2013: approximately HK\$1,564.833 million), decreased by approximately 20.25%.

Future Prospects

The year 2015 is the last year of the 12th Five Year Plan in China and also an important time for the further reform on the healthcare. By the end of the 13th Five Year Plan, the total healthcare market will reach 8 trillion RMB based on the projections by the State Council in its statement in 2013. In January 2015, the NHFPC, the former Ministry of Health, clearly stated that the further improvement of hospital services is one of the goals this year. At the same time, the opportunities for the ownership reforms of state owned hospitals are readily available and increasing. As a result, the impact of those policies is nothing but positive in terms of becoming more practical and useful in the implementation of the policies. The management of the Group believes that if non public hospitals continue to improve the qualities and reduce the cost, they will certainly be able to expand their shares in the healthcare market in China. It is also important to notice that the country is calling for the more involvement from the commercial healthcare insurance companies in order to satisfy the growing needs for different medical and healthcare services. All of those have further strengthened the solid foundations for the fast growth of the healthcare industry.

It is under such circumstances that the management of the Group holds positive view of the future of the hospital businesses in China for the year 2015/2016. 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 the Group operates. Since the Zhuhai Jiulong Hospital joined the Group in 2014, the operations of the hospital have confirmed the strategies designed to acquire and manage hospital of the same scale. The management-in-trust model has approved to be low cost yet more effective in terms of hospital business development. While the management still believes 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 China. Therefore, the Group has allocated more resources to support this effort.

As the healthcare reform 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.

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 31 December 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	<i>Corporate interest (Note 1)</i>	120,960,500	Long	10.45%
	<i>Personal interest (Note 2)</i>	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 <i>(resigned on 10 October 2014)</i>	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 31 December 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 31 December 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:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
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%

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Ms. Li Wei (<i>Note 2</i>)	343,217,539	Long	Interest of spouse	29.65%
Mr. Zhan Guo Tuan (<i>Note 3</i>)	60,000,000	Long	Beneficial owner	5.18%
Ms. Lin Zhen Jin (<i>Note 3</i>)	60,000,000	Long	Interest of spouse	5.18%
Rubyland Investments Limited (<i>Note 4</i>)	60,000,000	Long	Beneficial owner	5.18%
Mr. Lau Kim Hung, Jack (<i>Note 4</i>)	64,016,000	Long	Beneficial owner	5.53%
Ms. Chan Yiu Kan, Katie (<i>Note 4</i>)	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 31 December 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 31 December 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
<i>Directors</i>			
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 (resigned on 10 October 2014)	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			32,801,287

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 nine months ended 31 December 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, 11 February 2015

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Zheng Gang and Dr. Huang Jiaqing, the non-executive director is Dr. Wong Yu Man, James, and the independent non-executive directors are Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at <http://www.huaxia-healthcare.com>.