



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2015

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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 a total turnover of approximately HK\$378.532 million for the three months ended 30 June 2015 as compared with HK\$437.122 million in the corresponding period in 2014, representing a decrease of approximately 13.40%.
- Gross profit margin of the Group was approximately 17.49% for the three months ended 30 June 2015, compared with 12.87% in the corresponding period in year 2014, representing an improvement of approximately 4.62 percentage points
- The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2015 of approximately HK\$6.119 million as compared with HK\$493.687 million in the corresponding period in 2014.
- The basic and diluted loss per share of the Company for the three months ended 30 June 2015 were approximately HK0.347 cents and HK0.340 cents, respectively (2014: approximately HK28.052 cents and HK28.045 cents for the basic and the diluted loss per share, respectively).
- The Directors do not recommend the payment of a dividend for the three months ended 30 June 2015 (2014: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2015, together with the unaudited comparative figures for the corresponding period in year 2014, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2015

		Three months ended	
		30 June	
	Note	2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	378,532	437,122
Cost of sales		<u>(312,316)</u>	<u>(380,879)</u>
Gross profit		66,216	56,243
Other income		1,643	6,622
Selling and distribution expenses		(40,542)	(24,495)
Administrative expenses		(29,330)	(21,679)
Impairment loss on goodwill		<u>–</u>	<u>(785,483)</u>
Loss from operations		(2,013)	(768,792)
Finance costs		<u>(3,876)</u>	<u>(2,179)</u>
Loss before taxation		(5,889)	(770,971)
Taxation	4	<u>(1,081)</u>	<u>(4,446)</u>
Loss for the period		<u>(6,970)</u>	<u>(775,417)</u>
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>149</u>	<u>37</u>
Total comprehensive loss for the period		<u><u>(6,821)</u></u>	<u><u>(775,380)</u></u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2015

		Three months ended	
		30 June	
	<i>Note</i>	2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(6,119)	(493,687)
Non-controlling interests		<u>(851)</u>	<u>(281,730)</u>
		<u>(6,970)</u>	<u>(775,417)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(5,849)	(493,795)
Non-controlling interests		<u>(972)</u>	<u>(281,585)</u>
		<u>(6,821)</u>	<u>(775,380)</u>
Dividends	<i>6</i>	<u>–</u>	<u>–</u>
Loss per share attributable to owners of the Company			
– Basic (HK cents)	<i>5</i>	<u>(0.347)</u>	<u>(28.052)</u>
– Diluted (HK cents)	<i>5</i>	<u>(0.340)</u>	<u>(28.045)</u>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2015

	Attributable to owners of the Company												
	Share capital <i>HK\$'000</i> <i>(Note (a))</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note (d))</i>	Other reserve <i>HK\$'000</i> <i>(Note (e))</i>	Special reserve <i>HK\$'000</i> <i>(Note (b))</i>	Translation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible note reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note (c))</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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	-	-	-	-	-	-	-	-	-	(493,687)	(493,687)	(281,730)	(775,417)
Exchange difference on translating foreign operations	-	-	-	-	-	(108)	-	-	-	-	(108)	145	37
Total comprehensive income for the period	-	-	-	-	-	(108)	-	-	-	(493,687)	(493,795)	(281,585)	(775,380)
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	7,428	7,428
Exercise of share options	39	1,969	-	-	-	-	(58)	-	-	-	1,950	-	1,950
At 30 June 2014 (unaudited)	<u>17,601</u>	<u>318,938</u>	<u>295,610</u>	<u>(97,455)</u>	<u>(6,735)</u>	<u>32,681</u>	<u>15,587</u>	<u>2,537</u>	<u>37,079</u>	<u>(383,435)</u>	<u>232,408</u>	<u>152,013</u>	<u>384,421</u>
At 1 April 2015 (audited)	17,601	318,938	295,610	(97,455)	(6,735)	33,977	188	2,537	40,648	(383,499)	221,810	159,688	381,498
Loss for the period	-	-	-	-	-	-	-	-	-	(6,119)	(6,119)	(851)	(6,970)
Exchange difference on translating foreign operations	-	-	-	-	-	270	-	-	-	-	270	(121)	149
Total comprehensive income for the period	-	-	-	-	-	270	-	-	-	(6,119)	(5,849)	(972)	(6,821)
Issue of convertible notes	-	-	-	-	-	-	-	9,866	-	-	9,866	-	9,866
Issue of share options	-	-	-	-	-	-	2,539	-	-	-	2,539	-	2,539
Exercise of share options	372	24,461	-	-	-	-	(52)	-	-	-	24,780	-	24,780
Lapse of share options	-	-	-	-	-	-	(2,193)	-	-	52	(2,141)	-	(2,141)
Capital contributed by non-controlling interests <i>(Note (f))</i>	-	-	-	(1,882)	-	-	-	-	-	-	(1,882)	16,135	14,253
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(719)	(719)
At 30 June 2015 (unaudited)	<u>17,973</u>	<u>343,399</u>	<u>295,610</u>	<u>(99,337)</u>	<u>(6,735)</u>	<u>34,247</u>	<u>482</u>	<u>12,403</u>	<u>40,648</u>	<u>(389,566)</u>	<u>249,123</u>	<u>174,132</u>	<u>423,255</u>

Notes:

(a) As at 30 June 2015, the total issued share capital of the Company was approximately HK\$17.973 million (2014: approximately HK\$17.601 million) divided into 1,698,769,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2014: 1,157,388,264 ordinary shares and 602,701,680 non-voting convertible preference shares) of HK\$0.01 each (2014: HK\$0.01 each).

(b) Included in the 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 net profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board 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 specie 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 specie and the non-controlling interests' share of net assets of Wanjia Group pursuant to the separate listing of shares of Wanjia Group during the year ended 31 March 2014.

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

(f) On 12 May 2015, one of the non-wholly owned subsidiaries ("**Subsidiary**") has entered into a joint venture agreement ("**Agreement**") with an independent third party. The Agreement constituted a deemed disposal of interests of the Subsidiary, as a result, other reserve was arisen.

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

For the three months ended 30 June 2015

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 three months ended 30 June 2015 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 three months ended 30 June 2015 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2015 (the “**2014/15 Financial Statements**”), which have become effective in this period as detailed in notes to the 2014/15 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 the provision of general hospital services during the period. The analysis of the Group's turnover for the periods is as follows:

	Three months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	312,167	397,639
Provision of general hospital services	66,365	39,483
	<u>378,532</u>	<u>437,122</u>

4. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2014: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses and the provision of general hospital services in the PRC (2014: approximately 25%).

5. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2015 and 2014 was based on the loss for the period attributable to owners of the Company of approximately HK\$6.119 million (2014: loss for the period attributable to owners of the Company of approximately HK\$493.687 million) and on the weighted average number of 1,763,208,406 shares (2014: 1,759,918,515 shares).

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding and to assume conversion of all dilutive potential ordinary shares.

For the share options, 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 share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted loss per share	(6,119)	(493,687)
	2015	2014
Weighted average number of ordinary shares in issue	1,763,208,406	1,759,918,515
Adjustments for assumed exercise of share options and convertible notes	28,677,905	414,295
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,791,886,311	1,760,332,810
	2015	2014
Diluted loss per share (HK cents)	(0.340)	(28.045)

6. Dividends

The directors do not recommend the payment of a dividend for the three months ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

General hospital services

For the three months ended 30 June 2015, the Group recorded a turnover on business operations of approximately HK\$378.532 million (2014: approximately HK\$437.122 million), representing a decrease of approximately 13.40% compared with the same period last year. The turnover generated from three general hospitals for the three months ended 30 June 2015 amounted to approximately HK\$66.365 million (2014: approximately HK\$39.483 million for two general hospitals), representing an increase of approximately 68% over the same period last year.

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The turnover generated from pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses for the three months ended 30 June 2015 amounted to approximately HK\$312.167 million (2014: approximately HK\$397.639 million), representing a decrease of approximately 21% over the same period last year. The decrease in turnover was mainly driven by the decrease in revenue generated from the pharmaceutical wholesale business through our non-wholly owned major subsidiary – Wanjia Group, for the reporting period, as a result of the promulgation and implementation of new Good Supply Practice (“**New GSP**”) in Fujian, the PRC in April 2014, which imposes stringent regulations on pharmaceutical distributor operation. (Please refer to the section headed “pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses”). Consequently, sales to Wanjia Group’s distributor customers were continuously decreasing.

Expenses

Selling and distribution expenses for the three months ended 30 June 2015 amounted to approximately HK\$40.542 million (2014: approximately HK\$24.495 million), representing a substantial increase of approximately 66% compared with the same period last year. The increase was due to the increase in both the number of retail pharmacies and hospitals being served, compared with the same period of last year.

Administrative expenses for the three months ended 30 June 2015 amounted to approximately HK\$29.330 million (2014: approximately HK\$21.679 million), representing an increase of approximately 35%. The increase was mainly related to more increased cost and rental expenses incurred compared with the same period of last year as a result of expansion of the Group’s scale of operation.

Loss attributable to owners of the Company

The Group reported a loss attributable to owners of the Company of approximately HK\$6.119 million for the three months ended 30 June 2015 (2014: loss attributable to owners of the Company of approximately HK\$493.687 million). The net loss was mainly attributable to the reduction in sales of the pharmaceutical business, due to the stringent regulations as a result of the promulgation and implementation of the New GSP.

Business Review and Outlook

General hospital services

During the three months ended 30 June 2015, the Group operated three general hospitals in Chongqing, Jiaxing and Zhuhai (2014: 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 turnover generated from the provision of general hospital services for the three months ended 30 June 2015 was approximately HK\$66.365 million (2014: approximately HK\$39.483 million), representing an increase of approximately 68% over the same period of last year.

Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

The Group engaged in the wholesale and distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC through our non-wholly owned major subsidiary, Wanjia Group.

In April 2014, the New GSP was promulgated and implemented in Fujian, the PRC, under which with effect from the year 2016, only selected pharmaceutical distributors are allowed to distribute medicine to public hospitals and public healthcare institutions. In view of the New GSP, the existing distributor customers have become very prudent in placing the purchase order with Wanjia Group and the repayment period increased steadily, therefore Wanjia Group prudently tightened the credit policy to the distributor customers gradually during the three months period ended 30 June 2015. As a result, sales to Wanjia Group's distributor customers were continuously decreasing.

In August 2014, Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced a lot of 10 companies, which are permitted to conduct the business of distribution to public hospitals and public healthcare institutions after 2016, in which the operating subsidiary of the Company, namely Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd# (福建省福州市惠好藥業有限公司) is on the list. Notwithstanding this recognition as a qualified participant in the distribution industry is encouraging, the effect of the implementation of the New GSP and any future policy development on the hospital distribution business of the Wanjia Group remains uncertain. Having taken into account the financial performance as of June 2014, the board of Wanjia Group reviewed again the potential effects of the New GSP on the distribution business in late July 2014 and prudently lowered the forecasted performance in sales to distributor customers that resulted in a goodwill impairment loss of approximately HK\$785.438 million in the first quarter of year ended 31 March 2015.

The Group also operated a chain of retail pharmacies located in six prefectural-level districts in Fujian Province, the PRC under the brand name “Huihao Sihai (惠好四海)”. The Group’s pharmaceutical retail chain operation had maintained the leading position in both the number of the retail drug store and comprehensive competitiveness within Fujian Province. The Group continues to allocate resources to look for business opportunities to expand the pharmaceutical distribution and retail chain businesses. The turnover contributed by the pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses for the three months ended 30 June 2015 was approximately HK\$312.167 million (2014: approximately HK\$397.639 million), representing a decrease of approximately 21.49% compared with same period of last year. The decrease was mainly attributable to the reduction in wholesales to distributor customers due to the stringent regulations imposed, as a result of the promulgation and implementation of the new GSP during year 2015.

Future Prospects

As the year 2015 is the last year of the twelfth five year plan, and the fifth in the healthcare reform, the results of the early efforts have begun to shape up in the landscape of the delivery of quality medical services and care in China. More hospitals have been set up and among them are the fast growing private hospitals. The management of the Group is confident that the Group is well poised to take the advantages of the favorable situations in the country. Therefore, 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 continue to explore the development opportunities for the existing and future hospitals. One of the important potentials for the Group’s hospitals is to identify projects that involve the public and private partnerships. Those projects will further open up the healthcare market for the Group in different regions. This will increase our service coverage, medical specialties and more importantly attract more talents to join our hospitals. For the year ahead, we anticipate to allocate more resource to explore new services as one of the opportunities to increase revenue.

For identification purpose only

This year posts both opportunities and challenges to the Group. This special time not only sets up the path for the Company to further explore the potential in PRC but also will witness the noticeable outcomes of the Huaxia branding, representing the quality, accessibility and credibility in the local markets. The demands for excellent healthcare services will also result in the tangible economic results for those who have long invested in the services, education, quality and trust.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to the end of the reporting period, except for the following:

On 8 July 2015, in view of significant change in market conditions and the sentiment of the investors, the Company and Quam Securities Company Limited mutually agreed to terminate the underwriting agreement dated 22 June 2015, which was entered into in relation to the underwriting and certain other arrangements in respect of the issue of right shares on the basis of one right share for every five shares, by entering into an agreement of termination with immediate effect. Details of which were stated in the Company's announcements dated 22 June 2015, 29 June 2015 and 8 July 2015 respectively.

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

Disclosure of Interests

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

As at 30 June 2015, 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. Zheng Gang	Personal interest	10,454,000	Long	0.62%
Dr. Jiang Tao	Personal interest	10,150,000	Long	0.60%
Dr. Huang Jiaqing	Personal interest	8,000,000	Long	0.47%
Mr. Yung Ka Chun	Personal interest	6,600,000	Long	0.39%
Mr. Tang Xun	Personal interest	3,000,000	Long	0.18%
Dr. Wong Yu Man, James	Personal interest	1,000,000	Long	0.06%

(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 (resigned on 20 April 2015)	Wanjia Group (Note 1)	Corporate interest (Note 2)	24,192,100	Long	1.42%
		Personal interest	47,009,375	Long	2.77%

Notes:

1. 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 Holdings Limited (“**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.
2. 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 (“**Mr. K L Yung**”), who owns 418,491,516 share and 98,500,000 convertible preference shares of the Company. Mr. K L Yung is the father of Mr. Yung Ka Chun, who was appointed as an executive director of the Company on 20 April 2015.

(iii) Interests in share options under Post-IPO 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 June 2015, 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 June 2015, 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	Approximate percentage of the total issued Shares
Marshal International Investments Limited (" Marshal ") (Note 1)	516,991,516	Long	30.43%
Easeglory Holdings Limited (" Easeglory ") (Note 1)	516,991,516	Long	30.43%
Mr. Yung Kwok Leong (Note 1)	516,991,516 1,700,000	Long Long	30.43% 0.10%
Mrs. Yung Muk Ying (Note 1)	518,691,516	Long	30.53%
South Hoper Industry Co. Ltd. [#] (南方希望實業有限公司) (Note 3)	343,217,539	Long	20.20%

Name of Shareholder	Number of Shares	Position	Approximate percentage of the total issued Shares
New Hope Group Co. Ltd. [#] (新希望集團有限公司) (Note 3)	343,217,539	Long	20.20%
Tibet Hengyefeng Industrial Co., Ltd. [#] (西藏恒業峰實業有限公司) (Note 3)	343,217,539	Long	20.20%
New Hope International (Hong Kong) Limited (Note 3)	343,217,539	Long	20.20%
Mr. Liu Yonghao (Note 3)	343,217,539	Long	20.20%
Ms. Liu Chang (Note 3)	343,217,539	Long	20.20%
Ms. Li Wei (Note 3)	343,217,539	Long	20.20%
Quam Limited (Note 4)	208,226,577	Long	12.26%

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

Notes:

- 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 100% beneficially owned by Marshal and the issued share capital of Marshal is 100% beneficially owned by Mr. K L Yung. He is also interested in 1,700,000 Shares and beneficially held by him in personal capacity. By virtue of her being the spouse of Mr. K L Yung, Mrs. Yung Muk Ying is deemed to be interested in 418,491,516 Shares and 98,500,000 convertible preference shares held by Easeglory and 1,700,000 Shares beneficially held by Mr. K L Yung in personal capacity.
- Marshal as vendor and Mr. Yung Ka Chun as purchaser have entered into an agreement on 10 July 2015 for sale and purchase of the entire shareholding of Easeglory and the completion of the said sale and purchase has been scheduled to a date after the date of this announcement.

3. New Hope International (Hong Kong) Limited is interested in 343,217,539 Shares of the Company. The issued share capital of New Hope International (Hong Kong) Limited is 75% beneficially owned by South Hoper Industry Co. Ltd.# (南方希望實業有限公司) which is in turn 51% held by New Hope Group Co. Ltd.# (新希望集團有限公司) and 49% is held by Tibet Hengyefeng Industrial Co., Ltd.# (西藏恒業峰實業有限公司).

Both New Hope Group Co. Ltd.# (新希望集團有限公司) and Tibet Hengyefeng Industrial Co., Ltd.# (西藏恒業峰實業有限公司) 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.

4. Quam Limited, being the beneficial owner of sole underwriter of the issue of the rights shares under the underwriting agreement dated 22 June 2015, held a long position of 208,226,577 shares as at 30 June 2015. The Company and the underwriter have mutually agreed to terminate the underwriting agreement on 8 July 2015.

Save as disclosed above, as at 30 June 2015, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

SHARE OPTION SCHEMES

As at 30 June, 2015, there was a total of 67,071,991 outstanding share options, of which representing approximately 3.95% of the issued share capital of the Company. All of which were granted pursuant to the Post-IPO share option schemes adopted on 20 April 2002 and 10 August 2011. A breakdown setting out the number of share options outstanding, their respective exercise prices and their respective exercise periods were as follows:

Categories of grantees	Exercise period	Exercise price	Number of Options outstanding
<i>Directors</i>			
Dr. Jiang Tao	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000
Mr. Zheng Gang	18 April 2015 to 17 April 2018	HK\$0.68	4,410,000
Mr. Yung Ka Chun	18 April 2015 to 17 April 2018	HK\$0.68	3,960,000
Dr. Huang Jiaqing	18 April 2015 to 17 April 2018	HK\$0.68	4,200,000
Dr. Wong Yu Man, James	18 April 2015 to 17 April 2018	HK\$0.68	1,000,000
Mr. Tang Xun	18 April 2015 to 17 April 2018	HK\$0.68	3,000,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$3.61	459,738
	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
	18 April 2015 to 17 April 2018	HK\$0.68	44,140,000
Total Options outstanding under the Share Option Scheme			67,071,991

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

During the three months ended 30 June 2015, 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 the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2015.

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 three months ended 30 June 2015.

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 of the Company 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 instead 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 three independent non-executive directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen and Ms. Wong Ka Wai, Jeanne. 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 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 three months ended 30 June 2015 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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

Hong Kong, 14 August 2015

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Yung Ka Chun as executive Directors; Dr. Wong Yu Man, James and Mr. Tang Xun as non-executive Directors; and Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen as independent non-executive Directors.

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