



**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 2016**

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

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

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

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

\* For identification purpose only

## HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$350.080 million for the three months ended 30 June 2016 as compared with HK\$378.532 million in the corresponding period in 2015, representing a decrease of approximately 7.52%.
- Gross profit margin of the Group was approximately 22.74% for the three months ended 30 June 2016, compared with 17.49% in the corresponding period in year 2015, representing an improvement of approximately 5.25%.
- The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2016 of approximately HK\$5.850 million as compared with HK\$6.119 million in the corresponding period in 2015.
- The basic and diluted loss per share of the Company for the three months ended 30 June 2016 were approximately HK0.327 cents and HK0.326 cents, respectively (2015: approximately HK0.347 cents and HK0.340 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 2016 (2015: 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 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

### Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the three months ended 30 June 2016

		Three months ended	
		30 June	
	Note	2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Turnover</b>	3	350,080	378,532
<b>Cost of sales</b>		<u>(270,455)</u>	<u>(312,316)</u>
<b>Gross profit</b>		79,625	66,216
Other income		1,002	1,643
Selling and distribution expenses		(55,658)	(40,542)
Administrative expenses		<u>(23,794)</u>	<u>(29,330)</u>
<b>Profit/(loss) from operations</b>		1,175	(2,013)
Finance costs		<u>(4,069)</u>	<u>(3,876)</u>
<b>Loss before taxation</b>		(2,894)	(5,889)
Taxation	4	<u>(1,346)</u>	<u>(1,081)</u>
<b>Loss for the period</b>		<u>(4,240)</u>	<u>(6,970)</u>
<b>Other comprehensive (loss)/income for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>(24,422)</u>	149
<b>Total comprehensive loss for the period</b>		<u><u>(28,662)</u></u>	<u><u>(6,821)</u></u>

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
*For the three months ended 30 June 2016*

		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		(5,850)	(6,119)
Non-controlling interests		<u>1,610</u>	<u>(851)</u>
		<b><u>(4,240)</u></b>	<b><u>(6,970)</u></b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		(37,050)	(5,849)
Non-controlling interests		<u>8,388</u>	<u>(972)</u>
		<b><u>(28,662)</u></b>	<b><u>(6,821)</u></b>
<b>Dividends</b>	<i>6</i>	<u>–</u>	<u>–</u>
<b>Loss per share attributable to owners of the Company</b>			
– Basic (HK cents)	<i>5</i>	<u>(0.327)</u>	<u>(0.347)</u>
– Diluted (HK cents)	<i>5</i>	<u>(0.326)</u>	<u>(0.340)</u>

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2016

	Attributable to owners of the Company												
	Share capital HK\$'000 Note (a)	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000 Note (b)	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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/(loss) 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	-	-	-	(1,882)	-	-	-	-	-	-	(1,882)	16,135	14,253
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(719)	(719)
At 30 June 2015 (unaudited)	17,973	343,399	295,610	(99,337)	(6,735)	34,247	482	12,403	40,648	(389,566)	249,123	174,132	423,255
At 1 April 2016 (audited)	17,978	351,261	295,610	(126,113)	(6,735)	13,932	27,422	10,232	43,122	(444,744)	181,965	212,381	394,346
Loss for the period	-	-	-	-	-	-	-	-	-	(5,850)	(5,850)	1,610	(7,591)
Exchange difference on translating foreign operations	-	-	-	-	-	(31,201)	-	-	-	2	(27,979)	3,557	(21,071)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(31,201)	-	-	-	(5,848)	(33,829)	5,167	(28,662)
Transfer to Stationary Reserve	-	-	-	-	-	-	-	-	(197)	-	(197)	-	(197)
At 30 June 2016 (unaudited)	17,918	351,261	295,610	(126,113)	(6,735)	(14,049)	27,422	10,232	42,925	(450,592)	147,939	217,548	365,487

## Notes:

- (a) As at 30 June 2016, the total issued share capital of the Company was approximately HK\$17.977 million (2015: approximately HK\$17.973 million) divided into 1,699,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2015: 1,698,769,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (2015: HK\$0.01 each).
- (b) 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 2016*

## 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 Cricket Square, Hutchins Drive, P.O. Box 2681, 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 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 and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the People's Republic of China (the “**PRC**”).

## 2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the three months ended 30 June 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2016 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2016 (the “**2015/16 Financial Statements**”), which have become effective in this period as detailed in notes to the 2015/16 Financial Statements. The Directors believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

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

### 3. 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	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses	290,033	312,167
Provision of general hospital services	60,047	66,365
	<u>350,080</u>	<u>378,532</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 (2015: 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 (2015: approximately 25%).

### 5. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2016 and 2015 was based on the loss for the period attributable to owners of the Company of approximately HK\$5.850 million (2015: loss for the period attributable to owners of the Company of approximately HK\$6.119 million) and on the weighted average number of 1,786,073,726 shares (2015: 1,763,208,406 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.

	<b>Three months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted loss per share	<u><b>(5,850)</b></u>	<u>(6,119)</u>
	<b>2016</b>	2015
Weighted average number of ordinary shares in issue	<b>1,786,073,726</b>	1,763,208,406
Adjustments for assumed exercise of share options and convertible notes	<u><b>9,896,383</b></u>	<u>28,677,905</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><b>1,795,970,109</b></u>	<u>1,791,886,311</u>
	<b>2016</b>	2015
Diluted loss per share (HK cents)	<u><b>(0.326)</b></u>	<u>(0.340)</u>

## **6. Dividends**

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2016 (2015: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### *General hospital services*

For the three months ended 30 June 2016, the Group recorded a turnover on business operations of approximately HK\$350.080 million (2015: approximately HK\$378.532 million), representing a decrease of approximately 7.52% compared with the same period last year. The turnover generated from three general hospitals for the three months ended 30 June 2016 amounted to approximately HK\$60.047 million (2015: approximately HK\$66.365 million for three general hospitals), representing a decrease of approximately 9.52% compared with 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 2016 amounted to approximately HK\$290.033 million (2015: approximately HK\$312.167 million), representing a decrease of approximately 7.09% 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 Holdings Limited and its subsidiaries (collectively, the “**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 “Business review and outlook – Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses”). Consequently, sales to the Wanjia Group’s distributor customers were continuously decreasing.

### *Expenses*

Selling and distribution expenses for the three months ended 30 June 2016 amounted to approximately HK\$55.658 million (2015: approximately HK\$40.542 million), representing a substantial increase of approximately 37.28% compared with the same period last year. The increase was due to the increase in both the number of retail pharmacies, compared with the same period last year.

Administrative expenses for the three months ended 30 June 2016 amounted to approximately HK\$23.794 million (2015: approximately HK\$29.330 million), representing a decrease of approximately 18.87%. The increase was mainly related to more increased cost and rental expenses incurred compared with the same period 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\$5.850 million for the three months ended 30 June 2016 (2015: loss attributable to owners of the Company of approximately HK\$6.119 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 2016, the Group operated three general hospitals in Chongqing, Jiaxing and Zhuhai, 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 2016 was approximately HK\$60.047 million (2015: approximately HK\$66.365 million), representing a decrease of approximately 9.52% compared with the same period 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, the Wanjia Group.

In April 2014, the New GSP was promulgated and implemented in Fujian, the PRC, and effective 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 the Wanjia Group and the repayment period increased steadily, therefore the Wanjia Group prudently tightened the credit policy to the distributor customers gradually during the three months ended 30 June 2016. As a result, sales to the Wanjia Group's distributor customers were continuously decreasing.

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 2016 was approximately HK\$290.033 million (2015: approximately HK\$312.167 million), representing a decrease of approximately 7.09% compared with the same period 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 the year 2015.

### **Future Prospects**

Being the first year of the 13th Five Year Plan, China has set clear goals to achieve the accessible and affordable health care to the citizens by the end of 2020, releasing concrete measures to facilitate the development of the private hospitals. The latest industry data indicate that the total number of private hospitals has accounted for more than 50% of the market share. 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 advantage of the favourable 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 will 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 resources to explore new services as one of the opportunities to increase revenue.

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 potentials in the PRC but will also 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**

### **Placing of new shares**

On 10 August 2016, 339,000,000 placing shares were allotted and issued to not less than six places at the placing price of HK\$0.31 per placing share. The net proceeds from the placing were approximately HK\$102 million. As disclosed in the announcement dated 10 August 2016, the Company will apply the net proceeds for (i) the payment of the refundable deposit in the amount of HK\$14 million contemplated under the memorandum of understanding dated 8 July 2016 (the “MOU”); (ii) the payment of part of consideration should the acquisition contemplated under the MOU materialised in the amount of approximately HK\$31 million; (iii) the early redemption of part of the outstanding promissory notes in the amount of HK\$45 million; and (iv) the remaining proceeds will be used for general working capital of the Group.

Up to the date of this announcement, HK\$45 million has been used for the early redemption of part of the outstanding promissory notes. The balance of approximately HK\$57 million has not been utilised and is held by the Company in short-term deposits with a licensed bank in Hong Kong.

## **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 2016, 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:*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued shares</b>
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.36%
Dr. Jiang Tao	Personal interest	5,740,000	Long	0.34%
Dr. Huang Jiaqing	Personal interest	3,800,000	Long	0.22%
Mr. Yung Ka Chun	Personal interest	2,640,000	Long	0.15%

(ii) *Interests in the issued share capital of the Company's associated corporation:*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Position</b>	<b>Approximate percentage of shareholdings in the associated corporation's issued share capital</b>
Mr. Yung Ka Chun	Wanjia Group (Note 1)	Corporate interest (Note 2)	24,192,100	Long	3.73%

*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 British Virgin Islands with limited liability, which is in turn interested in 411,917,648 shares of Wanjia Group Holdings Limited (“**Wanjia**”), 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). Therefore, Wanjia is an associated corporation of the Company for the purposes of the SFO.
2. These shares are held through Easeglory Holdings Limited, the entire issued share capital of which is owned by Mr. Yung Ka Chun.

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

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

Save as disclosed above, as at 30 June 2016, 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 2016, 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:*

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Position</b>	<b>Approximate percentage of the total issued Shares</b>
Easeglory Holdings Limited ( <b>"Easeglory"</b> ) (Note 1)	516,991,516	Long	30.42%
New Hope International (Hong Kong) Limited (Note 2)	343,217,539	Long	20.20%
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) (Note 2)	343,217,539	Long	20.20%
New Hope Group Co., Ltd.# (新希望集團有限公司) (Note 2)	343,217,539	Long	20.20%
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業峰實業有限公司) (Note 2)	343,217,539	Long	20.20%
Mr. Liu Yonghao (Note 2)	343,217,539	Long	20.20%
Ms. Liu Chang (Note 2)	343,217,539	Long	20.20%
Ms. Li Wei (Note 2)	343,217,539	Long	20.20%

Name of Shareholder	Number of Shares	Position	Approximate percentage of the total issued Shares
Golden Prince Group Limited (“Golden Prince”) (Note 3)	418,491,516	Long	24.63%
Mr. Ng Leung Ho (Note 3)	418,491,516	Long	24.63%

*Note 1:* Easeglory is wholly-owned by Mr. Yung Ka Chun, an executive Director. The 516,991,516 shares represent (i) the 418,491,516 ordinary shares beneficially owned by Easeglory, and (ii) the 98,500,000 convertible preference shares (“CPS”). Therefore, Mr. Yung Ka Chun is deemed to be interested in shares of the Company and the CPS in which Easeglory is interested in under Part XV of the SFO.

*Note 2:* 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 Southern Hope Enterprise Co., Ltd.# which is in turn 51% held by New Hope Group Co., Ltd.# and 49% is held by Tibet Hengye Feng Industrial Co., Ltd.#.

Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# 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 deemed to be interested in shares of the Company in which New Hope International (Hong Kong) Limited is interested in under Part XV of the SFO.

*Note 3:* Easeglory has charged 418,491,516 Shares and 98,500,000 CPS to Golden Prince. Golden Prince is wholly-owned by Mr. Ng Leung Ho. Therefore, Mr. Ng Leung Ho is deemed to be interested in the 418,491,516 shares of the Company under Part XV of the SFO, and is interested in the 98,500,000 CPS.

# *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).*



## 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, 2016, there was a total of 66,591,992 outstanding share options, of which representing approximately 3.92% 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:

<b>Categories of grantees</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of Options outstanding</b>
<b><i>Directors</i></b>			
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

Categories of grantees	Exercise period	Exercise price	Number of Options outstanding
<b><i>Directors</i></b>			
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	459,739
	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
	18 April 2015 to 17 April 2018	HK\$0.68	43,660,000
Total			66,591,992

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

During the three months ended 30 June 2016, 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 31 March 2016, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **PRE-EMPTIVE RIGHTS**

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2016.

## **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 2016, save for the deviation from code provision E.1.3 of the CG Code which stipulates that the Company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. The Company's notice for the 2015 annual general meeting (the “**2015 AGM**”) was despatched on 23 July 2015, and the 2015 AGM was held on 17 August 2015, which deviated from code provision E.1.3 of the CG Code. The Board was not aware of the deviation and failed to report the same in the subsequent first quarterly, interim, third quarterly and annual results announcements, and first quarterly, interim, third quarterly and annual reports for the period from 1 April 2015 to 31 March 2016. As a result, the Company was not in compliance with Rule 17.101 of the GEM Listing Rules. The deviation was only an isolated event, and the Company had adopted preventive measures to ensure future compliance with the CG Code.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (“**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 of the Company (the “**Nomination and Corporate Governance Committee**”) in place and stead of the previous nomination committee of the Company, which was established on 27 March 2012 in compliance with the code provision. The Nomination and Corporate Governance Committee 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 of the Company (the “**Audit Committee**”) on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are: (i) to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The Audit Committee 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 2016 has not been audited by the auditors of the Company, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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

Hong Kong, 12 August 2016

*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>.*