



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 2017

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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 GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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\$244.425 million for the nine months ended 31 December 2017 as compared to a total turnover of approximately HK\$198.966 million recorded in the corresponding period in 2016, representing an increase of approximately 22.85%.
- Loss attributable to owners of the Company for the nine months ended 31 December 2017 was approximately HK\$2.068 million (2016: approximately HK\$17.146 million).
- Loss attributable to owners of the Company for the three months ended 31 December 2017 was approximately HK\$1.280 million (2016: profit approximately HK\$4.130 million).
- The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2017 (2016: Nil).

[#] *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).*

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 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (restated) (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (restated) (Unaudited)
Continuing operations					
Turnover	3	84,921	78,279	244,425	198,966
Cost of sales		(24,428)	(21,461)	(67,631)	(53,162)
Gross profit		60,493	56,818	176,794	145,804
Other revenue		(344)	(29)	(186)	9
Selling and distribution expenses		(40,631)	(32,592)	(112,779)	(97,928)
Administrative expenses		(18,700)	(18,336)	(56,261)	(43,067)
Loss on early redemption of promissory note		–	–	–	(3,030)
Profit from operations		818	5,861	7,568	1,788
Finance costs		(363)	(776)	(1,320)	(2,732)
Profit/(loss) before taxation		455	5,085	6,248	(944)
Taxation	4	(863)	(659)	(5,137)	(1,781)
Profit/(loss) for the period from continuing operations		(408)	4,426	1,111	(2,725)
Discontinued operations					
Loss for the period from discontinued operations		–	(6,647)	–	(18,268)
Loss for the period		–	(2,221)	–	(20,993)
Other comprehensive income, net of tax:					
Exchange differences arising on translating foreign operations		1,261	(22,668)	1,899	(52,610)
Total comprehensive profit/(loss) for the period		853	(24,889)	3,010	(73,603)

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2017

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period					
attributable to:					
Owners of the Company		(1,280)	4,130	(2,068)	(17,146)
Non-controlling interests		872	(6,351)	3,179	(3,847)
		<u>(408)</u>	<u>(2,221)</u>	<u>1,111</u>	<u>(20,993)</u>
Total comprehensive profit/(loss)					
attributable to:					
Owners of the company		156	(10,457)	(7,878)	(55,910)
Non-controlling interests		697	(14,432)	10,888	(17,693)
		<u>853</u>	<u>(24,889)</u>	<u>3,010</u>	<u>(73,603)</u>
Dividends	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) per share attributable to					
the owners of the Company					
From continuing and discontinued operations					
– Basic and diluted (HK cents)	6	<u>(0.055)</u>	<u>0.175</u>	<u>(0.088)</u>	<u>(0.727)</u>
From continuing operations					
– Basic and diluted (HK cents)		<u>(0.055)</u>	<u>0.435</u>	<u>(0.088)</u>	<u>0.048</u>

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

	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	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	HK\$'000
At 1 April 2016 (audited)	17,978	351,261	295,610	(126,113)	(6,735)	13,932	27,422	10,232	43,122	(444,744)	181,965	212,381	394,346	
Loss for the period	-	-	-	-	-	-	-	-	-	(17,146)	(17,146)	(3,847)	(20,993)	
Exchange difference on transaction of foreign operations	-	-	-	-	-	(38,764)	-	-	-	(128)	(38,892)	(13,718)	(52,610)	
Total comprehensive loss for the period	-	-	-	-	-	(38,764)	-	-	-	(17,274)	(56,038)	(17,565)	(73,603)	
Issue of new shares	6,590	214,072	-	-	-	-	-	-	-	-	220,662	-	220,662	
Reserve of share options	-	-	-	-	-	-	2,200	-	-	-	2,200	-	2,200	
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-	4,562	-	4,562	-	4,562	
At 31 December 2016 (unaudited)	<u>24,568</u>	<u>565,333</u>	<u>295,610</u>	<u>(126,113)</u>	<u>(6,735)</u>	<u>(24,832)</u>	<u>29,622</u>	<u>10,232</u>	<u>47,684</u>	<u>(462,018)</u>	<u>353,351</u>	<u>194,816</u>	<u>548,167</u>	
	Attributable to owners of the Company													
	Share capital	Share premium	Capital reserve	Revaluation reserve	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Statutory reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 April 2017 (audited)	24,568	400,239	295,610	(754)	(6,735)	6,157	16,280	2,537	13,501	(507,790)	243,613	44,282	287,895	
Loss for the period	-	-	-	-	-	-	-	-	-	(2,068)	(2,068)	3,179	1,111	
Exchange difference on transaction of foreign operations	-	-	-	-	-	6,807	-	-	-	(12,617)	(5,810)	7,709	1,899	
Total comprehensive loss for the period	-	-	-	-	-	6,807	-	-	-	(14,685)	(7,878)	10,888	3,010	
Change in fair value of available-for-sale financial assets	-	-	-	(3,391)	-	-	-	-	-	-	(3,391)	-	(3,391)	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,411	-	2,411	-	2,411	
At 31 December 2017 (unaudited)	<u>24,568</u>	<u>400,239</u>	<u>295,610</u>	<u>(4,145)</u>	<u>(6,735)</u>	<u>12,964</u>	<u>16,280</u>	<u>2,537</u>	<u>15,912</u>	<u>(522,475)</u>	<u>234,755</u>	<u>55,170</u>	<u>289,925</u>	

Notes:

- (a) As at 31 December 2017, the total issued share capital of the Company was approximately HK\$24.568 million (31 March 2017: approximately HK\$24.568 million) divided into 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2017: 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (31 March 2017: HK\$0.01 each).

- (b) As stipulated by the relevant People's Republic of China (“**PRC**”) laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

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

For the three months and nine months ended 31 December 2017

1. Corporate Information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on GEM. The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F, New Wing, 101 King's Road, Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi (“**RMB**”). The Directors considered that it is more appropriate to present the condensed consolidated financial statements in HK\$ as the shares of the Company are listed on GEM. The unaudited condensed consolidated financial statements are presented in thousands of units of HK\$ (HK\$'000), unless otherwise stated.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services in the PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the nine months ended 31 December 2017 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2017 (the “**2016/17 Financial Statements**”), except for the new and revised standards, amendments and interpretations of HKFRSs (“**new and revised HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes to the 2016/17 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these unaudited condensed consolidated financial results.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with provision of general hospital services during the period.

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Provision of general hospital services	<u>84,921</u>	<u>78,279</u>	<u>244,425</u>	<u>198,966</u>

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 (2016: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from provision of general hospital services in the PRC (2016: approximately 25%).

5. Dividends

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2017 (2016: Nil).

6. Loss per share

The calculation of basic loss per share for the three months ended 31 December 2017 was based on the loss attributable to owners of the Company of approximately HK\$1.280 million (2016: profit approximately HK\$4.130 million) and on the weighted average number of ordinary share of approximately 2,358,249,944 shares (2016: 1,892,225,334 shares).

The calculation of basic loss per share for the nine months ended 31 December 2017 was based on the net loss attributable to owners of the Company of approximately HK\$2.068 million (2016: approximately HK\$17.146 million) and on the weighted average number of ordinary shares of approximately 2,358,249,944 shares (2016: 2,081,084,489 shares).

Diluted 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 2017, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2017 and 2016, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2017 and 2016 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 2017 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2017 <i>HK\$'000</i> (Unaudited)
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	<u>(1,280)</u>	<u>(2,068)</u>
Weighted average number of ordinary shares in issue	2,358,249,944	2,358,249,944
Adjustments for assumed exercise of share options	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>2,358,249,944</u>	<u>2,358,249,944</u>
	Three months ended 31 December 2017	Nine months ended 31 December 2017
From continuing and discontinued operations		
– Basic and diluted (<i>HK cents</i>)	<u>(0.055)</u>	<u>(0.088)</u>
From continuing operations		
– Basic and diluted (<i>HK cents</i>)	<u>(0.055)</u>	<u>(0.088)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2017 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$244.425 million (2016: approximately HK\$198.966 million), representing an increase of approximately 22.85% compared to the same period last year. The increase in revenue was mainly attribute to the inclusion of the revenue from Beijing hospital through acquisition of Glowing Smart Investment Limited in the aggregate amount of approximately HK\$30,660,000.

Selling and distribution expenses for the period under review amounted to approximately HK\$112.779 million (2016: approximately HK\$97.928 million), representing an increase of approximately 15.17% compared to the same period last year. More selling and distribution expenses incurred mainly due to the increase in promotional expenses during the period compared to the corresponding period in year 2016.

Administrative expenses amounted to approximately HK\$56.261 million (2016: approximately HK\$43.067 million), increased by approximately 30.64%.

The Group recorded a loss attributable to owners of the Company of approximately HK\$2.068 million for the period under review (2016: approximately HK\$17.146 million). The loss attributable to owners of the Company for the three months ended 31 December 2017 was approximately HK\$1.280 million (2016: profit attributable to owners approximately HK\$4.130 million).

Business Review and Outlook

General hospital services

During the nine months ended 31 December 2017, for the Group operates four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing, 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 2017 was approximately HK\$244.425 million (2016: approximately HK\$198.966 million), representing an increase of approximately 22.85% compared to the same period last year.

Future Prospects

The major tasks for the healthcare in 2018 in China focus on the expansion of the basic medical care and the provision of the specialized services to meet the needs of the public. The Action Plan (2018-2020) of the Further Improvement of the Medical Care issued by the State Council has asked for greater efforts from the hospitals to achieve the patients' satisfaction as the priority. The Company has realized that as a result, the healthcare industry shows more potential for both financial and technological investments in the country in accordance with the economic targets of the country by the end of 2020, and there are clearly more demand for quality services and diversified care models to fight the fast increasing health issues affecting the citizens of all ages and lifestyles. As such, the management foresees more opportunities to expand our services through the general and specialized medical models, and is confident that the Group is well poised to take advantage of the favorable situations in the country. Therefore, the Group's hospitals will continue to improve the quality of services and introduce the new medical technologies in the present market. At the same time, the Group continues to explore the development opportunities for the existing and future hospitals. The Group will continue 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 years ahead, we will continue to explore the private hospital market for more cooperation.

As the country is approaching the middle of the 13th Five Year Plan, it is believed that this year will witness a fast and strong growth of the healthcare market in China, especially for the private segment, ultimately posing 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 be critical to further strengthen the Company's branding, representing quality, accessibility and credibility in the and national and local markets. The demand for excellent healthcare services especially in the chronic diseases, such as hypertension and diabetes, will also result in tangible economic results for those who have long invested in the services, education, quality and trust. Therefore, the Group will continue to allocate more resources to partner with international healthcare education institutions and management experts to further strengthen our capabilities and positions in this fast growing market.

Dividends

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2017 (2016: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

On 4 November 2016 (the “**Commencement Date**”), the University Court of the University of Edinburgh (the “**University**”), Future Health and Mr. Yung Kwok Leong entered into the funding agreement (the “**Funding Agreement**”), pursuant to which Future Health agreed to provide funding up to GBP1,178,000 (equivalent to approximately HK\$11,780,000) to the University for the establishment and operation of the University of Edinburgh-Hua Xia Healthcare Institute for Medical Research, Education and Management (the “**Institute**”). As at the date of this announcement, Future Health has contributed GBP406,000 (equivalent to approximately HK\$4,060,000) to the University for the establishment of the Institute, and GBP772,000 (equivalent to approximately HK\$7,720,000) (the “**Outstanding Fund Commitment**”) remained outstanding.

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

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

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

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

Profit Guarantee

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

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

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

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

Significant Events After the Reporting Period

No significant event took place subsequent to the end of the reporting period.

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

Disclosure of Interests

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

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) *Interests in shares and underlying shares of the Company:*

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued ordinary shares
Mr. Yung Ka Chun	Corporate interest (Note 1)	516,991,516	Long	21.92%
	Personal interest	2,640,000	Long	0.11%
Mr. Lin Jinzong	Corporate interest (Note 2)	320,000,000	Long	13.57%
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.39%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.26%
Dr. Huang Jiaqing	Personal interest	1,400,000	Long	0.06%

Notes:

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

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

- (2) Kingfull Corporate Development Limited (“**Kingfull**”) is interested in 320,000,000 shares of the Company. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested in under the SFO.

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

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Position	Approximate percentage of shareholdings in the associated corporation’s issued share capital
Nil	–	–	–	–	–

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

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung Ka Chun	18 April 2015 to 17 April 2018	HK\$0.68	3,960,000	Long
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
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 31 December 2017, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2017, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued ordinary shares
Easeglory Holdings Limited (Note 1)	516,991,516	Long	Beneficial owner	21.92%
New Hope International (Hong Kong) Limited (Note 2)	343,217,539	Long	Beneficial owner	14.55%
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
New Hope Group Co., Ltd.# (新希望集團有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業 有限公司) (Note 2)	343,217,539	Long	Corporate interest	14.55%
Mr. Liu Yonghao (Note 2)	343,217,539	Long	Corporate interest	14.55%
Ms. Liu Chang (Note 2)	343,217,539	Long	Corporate interest	14.55%
Ms. Li Wei (Note 2)	343,217,539	Long	Interest of spouse	14.55%
Kingfull Corporate Development Limited (Note 3)	320,000,000	Long	Beneficial owner	13.57%

Notes:

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

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

- (2) New Hope International (Hong Kong) Limited is interested in 343,217,539 shares. The issued share capital of New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Co., Ltd[#] which is in turn owned as to 51% by New Hope Group Co., Ltd.[#] and 49% by Tibet Hengye Feng Industrial Co., Ltd.[#]. Both New Hope Group Co., Ltd.[#] and Tibet Hengye Feng Industrial Co., Ltd.[#] are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in under the SFO.

- (3) Kingfull Corporate Development Limited (“**Kingfull**”) is interested in 320,000,000 shares. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested in under the SFO.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SECURITIES

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

SHARE OPTION SCHEMES

As at 31 December 2017, there were 65,090,000 outstanding share options, of which representing approximately 2.76% of the issued share capital of the Company. All of which were granted pursuant to the share option schemes adopted on 20 April 2002 and 10 August 2011. A breakdown setting out the number of outstanding share options, their respective exercise prices and respective exercise periods was as follows:

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

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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of 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 nine months ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the nine months ended 31 December 2017.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 3 June 2005 in compliance with the code provision. The Remuneration Committee consists of Mr. Zheng Gang, an executive Director and four independent non-executive Directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen, Prof. Zhang Bin 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 four independent non-executive Directors, namely Prof. Hu Shanlian, Prof. Lu Chuanzhen, Prof. Zhang Bin 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 Audit Committee comprises four members including Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Zhang Bin 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 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 risk management and internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The Group's unaudited condensed consolidated results for the period under review has not been audited by the 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, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

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

Hong Kong, 9 February 2018

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

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

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

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