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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

*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*

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2018 is as follows:

- Revenue was approximately HK$330.455 million (2017: approximately HK$269.515 million), representing an increase of approximately 22.61% as compared with last year. The increase in revenue was mainly attributable to the inclusion of the revenue derived from Beijing hospital through acquisition of Glowing Smart Investment Limited since 30 September 2016.

- Gross profit was approximately HK$155.455 million (2017: approximately HK$129.362 million), representing an increase of approximately 20.17% as compared with last year.

- The operating loss from the continuing operation was approximately HK$88.616 million (2017: approximately HK$26.670 million). Net loss attributable to owners of the Company was approximately HK$102.735 million (2017: net profit of approximately HK$10.208 million). The decrease was mainly due to an impairment loss on goodwill for the year ended 31 March 2018.

- The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

\# *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hua Xia Healthcare Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	5	**330,455**	269,515
Cost of sales		**(175,000)**	(140,153)
Gross profit		**155,455**	129,362
Other revenue	6	**992**	1,006
Other gain/(loss), net	7	**211**	(233)
Selling and distribution expenses		**(66,431)**	(49,956)
Administrative expenses		**(79,091)**	(74,329)
Impairment loss on available-for-sale financial assets		**(4,973)**	–
Impairment loss on goodwill		**(94,779)**	(29,490)
Loss on early redemption of promissory note		**–**	(3,030)
Loss from operations		**(88,616)**	(26,670)
Finance costs	9	**(2,231)**	(3,115)
Loss before taxation	8	**(90,847)**	(29,785)
Taxation	10	**(6,176)**	(3,577)
Loss for the year from continuing operations		**(97,023)**	(33,362)
Discontinued operation			
Profit for the year from discontinued operation		**–**	39,809
(Loss)/profit for the year		**(97,023)**	6,447
(Loss)/profit for the year attributable to:			
Owners of the Company		**(102,735)**	10,208
Non-controlling interests		**5,712**	(3,761)
(Loss)/profit for the year		**(97,023)**	6,447

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**–**	(754)
Reclassification relating to impairment loss on available-for-sale financial assets		**754**	–
Exchange differences on translating foreign operations		**18,463**	(29,603)
Release of exchange differences upon disposal of subsidiary		**–**	9,731
Other comprehensive income/(loss) for the year, net of tax		**19,217**	(20,626)
Total comprehensive loss for the year		**(77,806)**	(14,179)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(88,510)**	1,679
Non-controlling interests		**10,704**	(15,858)
		(77,806)	(14,179)
(Loss)/profit per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic and diluted *(HK cents per share)*	*11*	**(4.33)**	0.17
From continuing operations			
– Basic and diluted *(HK cents per share)*	*11*	**(4.33)**	(2.14)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**81,496**	74,576
Prepaid lease payments		**22,434**	21,195
Deposit for property, plant and equipment		**2,962**	–
Available-for-sale financial assets		**2,939**	7,158
Goodwill		**52,307**	147,086
		162,138	250,015
Current assets			
Inventories		**15,054**	8,931
Trade and other receivables and deposits	*13*	**43,208**	41,431
Cash and cash equivalents		**132,283**	81,963
		190,545	132,325
Current liabilities			
Trade and other payables	*14*	**46,364**	38,806
Bank borrowings		**10,000**	13,081
Amounts due to non-controlling shareholders		**1,230**	936
Tax payables		**1,707**	1,967
Convertible note		**–**	6,444
Promissory notes		**1,992**	–
		61,293	61,234
Net current assets		**129,252**	71,091
Total assets less current liabilities		**291,390**	321,106

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Promissory notes		**40,705**	33,021
Deferred tax liabilities		**–**	190
		40,705	33,211
Net assets		**250,685**	287,895
EQUITY			
Capital and reserves			
Share capital		**29,168**	24,568
Reserves		**171,325**	219,045
Equity attributable to owners of the Company		**200,493**	243,613
Non-controlling interests		**50,192**	44,282
Total equity		**250,685**	287,895

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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("RMB"). The consolidated financial statements are presented in thousands of units of HK$ (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 People's Republic of China (the "PRC").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amended HKFRSs and HKASs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 12	As part of the Annual Improvements to HKRFSs 2014-2016 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements. Except as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Sale or Contribution of Assets between an Investor and its Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual period beginning on or after 1 January 2021*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") and by the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including derivative financial instruments) and investment properties that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration of given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group is principally engaged in provision of general hospital services in the PRC.

In prior year, Wanjia Group Holdings Limited (“Wanjia Group”), which is engaged in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC, is considered as an operating segment and is presented as discontinued operations of the Group upon completion of the distribution in specie on 2 March 2017.

For the year ended 31 March 2018, the Group only engaged in provision of general hospital services in the PRC. No analysis of the Group's results, assets and liabilities of other reportable segment is presented. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

Segment revenue and result

For the year ended 31 March 2017

	Continuing operations	Discontinued operation	
	Provision of general hospital services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	269,515	938,031	1,207,546
Results			
Segment results	22,932	(3,759)	19,173
Loss on early redemption of promissory note			(3,030)
Impairment loss on goodwill	(29,490)	–	(29,490)
Loss on disposal of a subsidiary	–	(326)	(326)
Gain on disposal of subsidiaries through distribution in specie	–	62,586	62,586
Unallocated other revenue and income			1,175
Unallocated corporate expenses			(22,880)
Profit from operations			27,208
Finance costs			(15,899)
Profit before taxation			11,309
Taxation			(4,862)
Profit for the year			6,447

Segment assets and liabilities

As at 31 March 2017

	Continuing operations	
	Provision of general hospital services	Total
	HK$'000	*HK$'000*
Consolidated statement of financial position		
Assets		
Segment assets	367,874	367,874
Unallocated corporate assets		14,466
Consolidated total assets		382,340
Liabilities		
Segment liabilities	50,650	50,650
Convertible note		6,444
Promissory note		33,021
Deferred taxation		190
Unallocated corporate liabilities		4,140
Consolidated total liabilities		94,445

Other segment information

For the year ended 31 March 2017

	Continuing operations		Discontinued operation	
	Provision of general hospital services	Unallocated	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Capital expenditure*	4,852	–	5,614	10,466
Depreciation	8,773	6,839	5,426	21,038
Amortisation of prepaid lease payments	979	–	344	1,323
Gain/(loss) on disposal of property, plant and equipment	(1)	–	387	386
Impairment loss recognised in respect of trade and other receivables	305	–	–	305
Reversal of impairment loss recognised in respect of trade and other receivables	(113)	–	–	(113)
Change in fair value of derivative financial instruments	301	–	–	301
Loss on disposal of subsidiary	–	–	326	326
Gain on disposal of subsidiaries through distribution in specie	–	–	(62,586)	(62,586)

* *Capital expenditure consists of additions to property, plant and equipment.*

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit generated by each segment without allocation of finance costs, loss on early redemption of promissory note, loss on disposal of subsidiaries, gain on disposal of subsidiaries through distribution in specie, other corporate revenue, income and expenses and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets. Unallocated corporate assets mainly include part of property, plant and equipment, cash and bank balances of the central administration companies.

- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, promissory note, convertible note and deferred tax liabilities. Unallocated corporate liabilities mainly include the accruals and other payables of the central administration companies.

Geographical information

The Group's operations are mainly located in the PRC. All of the Group's Revenue is derived from customers based in the PRC.

The following is an analysis of the carrying amount of non-current assets excluded available-for-sale financial assets of approximately HK$2,939,000 (2017: HK$7,158,000) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**42**	7,573
PRC	**159,157**	235,284
	159,199	242,857

Information about major customers

For the years ended 31 March 2018 and 2017, no single customer contributed 10% or more to the Group's Revenue.

Revenue from major services and products

The Group's revenue from its major services and products was stated in Note 5.

5. REVENUE

Revenue represents the aggregate of the net invoiced value received and receivable from third parties in connection with provision of general hospital services, after allowances for returns and trade discounts. An analysis of the Group's revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Provision of general hospital services	**330,455**	269,515

6. OTHER REVENUE

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**379**	192
Loan interest income	**–**	198
Sundry income	**613**	616
	992	1,006

7. OTHER GAIN/(LOSS), NET

	2018	2017
	HK$'000	*HK$'000*
Exchange loss	**–**	(46)
(Loss)/gain on disposal of property, plant and equipment	**(2)**	1
Change in fair value of derivative financial instruments	**–**	(301)
Reversal of impairment loss recognised in respect of trade and other receivables	**213**	113
	211	(233)

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Continuing operation		
Directors' remuneration	**5,359**	6,380
Other staff's retirement benefits scheme contributions	**10,078**	8,053
Other staff costs	**76,724**	62,748
Other staff share-based payment expenses	**127**	2,938
	92,288	80,119
Auditors' remuneration		
– Audit services	**450**	450
– Non-audit services	**–**	600
Loss on early redemption of promissory note	**–**	3,030
Impairment loss on available-for-sale financial assets	**4,973**	–
Impairment loss on goodwill	**94,779**	29,490
Impairment loss recognised in respect of trade and other receivables	**507**	305
Cost of inventories sold	**90,748**	68,449
Amortisation of prepaid lease payments	**1,000**	979
Depreciation of property, plant and equipment	**18,984**	15,612
Operating lease rentals in respect of land and buildings	**19,249**	14,491
Equity-settled share-based payments	**189**	4,401

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings	**555**	1,068
– convertible note	**70**	663
– promissory notes	**1,606**	1,384
	2,231	3,115

10. TAXATION

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate. Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**6,474**	4,106
– Over-provision in prior year	**(108)**	–
Deferred tax:		
– Current year credit	**(190)**	(529)
	6,176	3,577

The National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2018 and 2017. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2017: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

11. LOSS PER SHARE

The calculation of the basic and diluted (loss)/profit per share attributable to the owners of the Company is based on the following data:

(a) Basic

From continuing and discontinued operations

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to the owners of the Company	**(102,735)**	10,208
Less: Dividends to holders of convertible preference shares	**–**	(6,619)
(Loss)/profit attribution to holders of ordinary shares of the Company	**(102,735)**	3,589
Weighted average number of ordinary shares in issue *('000)*	**2,372,112**	2,075,214

From continuing operation

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to the holders of ordinary shares of the Company	**(102,735)**	3,589
Less: Profit for the year from discountined operation	**–**	(48,063)
Loss for the year from continuing operations	**(102,735)**	(44,474)
Weighted average number of ordinary shares in issue *('000)*	**2,372,112**	2,075,214

From discontinued operation

For the year ended 31 March 2017, basic profit per share from discontinued operation is HK2.32 cents, based on the profit for the year from discontinued operations attributable to owner of the Company of approximately HK$48,063,000.

(b) Diluted

For the year ended 31 March 2018, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the convertible preference shares and the Company's share options, since their conversion and exercise would result an anti-dilutive effect on loss per share.

For the year ended 31 March 2017, diluted earnings/(loss) per share from continuing and discontinued operation and from continuing operation is the same as the basic earnings/(loss) per share as the computation of diluted earnings/(loss) per share does not assume the exercise of the convertible note, convertible preference shares and the Company's share options, since their conversion and exercise would result in an anti-dilutive effect on earnings per share.

For the year ended 31 March 2017, diluted earnings per share from discontinued operation is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding after adjustment for the potential dilutive effect in respective of the potential ordinary shares to be issued on convertible notes outstanding and convertible preference shares during the year. For the year ended 31 March 2017, diluted earnings per share is HK2.21 cents.

12. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: HK$Nil).

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS

Payment terms with customers from general hospital and healthcare and hospital management services are normally payable from 0 to 30 days. Included in trade and other receivables and deposits are trade receivables of approximately HK$21,196,000 (2017: HK$14,792,000). The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**15,701**	12,621
91 to 180 days	**1,828**	1,487
181 to 365 days	**3,667**	684
Over 365 days	**2,374**	1,942
	23,570	16,734
Less: Impairment loss recognised in respect of trade receivables	**(2,374)**	(1,942)
	21,196	14,792

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$25,253,000 (2017: HK$17,885,000). The ageing analysis of trade payables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**16,136**	9,003
91 to 180 days	**3,141**	1,938
181 to 365 days	**1,828**	2,052
Over 365 days	**4,148**	4,892
	25,253	17,885

The average credit period on purchases of certain goods is in range from 30 to 90 days.

BUSINESS REVIEW

The Group is principally engaged in the provision of general hospital services in the PRC.

Revenue

The Group recorded revenue of approximately HK$330.455 million (2017: approximately HK$269.515 million) for the year ended 31 March 2018, an increase of approximately 22.61% as compared with last year. The increase in revenue was mainly attributable to the inclusion of the revenue derived from Beijing hospital through acquisition of Glowing Smart Investment Limited since 30 September 2016.

General hospital services

During the year ended 31 March 2018, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai, and Beijing respectively in the PRC, 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 management envisaged more diversified hospital services being readily available to satisfy various needs of the public in the next few years, from the common illness treatments to the treatments of special and difficult diseases. Therefore, the Group will continue to allocate resources to develop such services either from our existing hospitals or through collaboration with strategic partners.

Other revenue

Other revenue, primarily including bank interest income, and sundry income amounted to approximately HK$0.992 million (2017: approximately HK$1.006 million) for the year ended 31 March 2018.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (1) salaries and wages of sales and marketing personnel, (2) rental expenses and (3) transportation expenses. For the year ended 31 March 2018, selling and distribution expenses amounted to approximately HK$66.431 million (2017: approximately HK$49.956 million), representing an increase of approximately 32.98% as compared with last year. The increase in selling and distribution expenses was due to the increase of promotional expenses and rental expenses during the year. The increase of promotional expenses was mainly due to the change in the advertising environment, where the Group had to conduct a series of online advertising campaign to promote the brand to potential patients.

Administrative expenses

Administrative expenses for the year ended 31 March 2018 amounted to approximately HK$79.091 million (2017: approximately HK$74.329 million), representing an increase of approximately 6.41% as compared with last year. It was due to the increase of staff costs.

Finance costs

For the year ended 31 March 2018, the finance costs of the Group were approximately HK$2.231 million (2017: approximately HK$3.115 million), which maintained at a similar level as 2017.

Loss from continuing operations attributable to owners of the Company

The Group recorded a net loss from the continuing operation before taxation was approximately HK$90.847 million (2017: approximately HK$29.785 million), representing an increase as compared with last year. The increase in loss was mainly attributable to impairment loss on goodwill of approximately HK$94.779 million recognised for the year ended 31 March 2018.

In April 2018, the management of the Company reviewed the management accounts for the eleven months ended 28 February 2018 and was of the view that the performance of Zhuhai Jiulong Hospital Company Limited (the "**Jiulong Hospital**"), Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited (the "**Shuguang Hospital**") and Beijing Tongji Hospital Co., Limited (the "**Beijing Tongji**") could not meet the respective projections. The management of the Company took a conservative view and considered that an impairment should be made to goodwill. As a result, an impairment loss on goodwill of approximately HK$0.139 million, HK$0.097 million and HK$94.543 million were recognised for the Jiulong Hospital, the Shuguang Hospital and the Beijing Tongji respectively.

The acquisitions of the Jiulong Hospital, the Shuguang Hospital and the Beijing Tongji were completed in September 2014, October 2007 and September 2016 respectively. For more details of the acquisition of the Jiulong Hospital, please refer to the announcements of the Company dated 1 September 2014 and 24 September 2014. For more details of the acquisition of the Shuguang Hospital, please refer to the announcements of the Company dated 17 August 2007 and 8 October 2007, and the circular of the Company dated 7 September 2007. For more details of the acquisition of the Beijing Tongji, please refer to the announcements of the Company dated 14 September 2016 and 30 September 2016.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

OUTLOOK AND FUTURE PROSPECTS

The latest assessment of the China's healthcare quality and accessibility shows that the country has advanced significantly thanks to the continuous efforts and investment. At the same time, the hospital performances have also improved in line with the deepened reform of the healthcare system. More important policies have been released from the central government in support of the private investment in the diversified healthcare services. Specific medical services have been outlined to guide the further investment and development of social capitals, including individualised chronical disease management, general medicine and more. More importantly, we have seen that procedures and restrictions for the healthcare investment have been further eased off to lower down the entry barriers to developing innovative medical care and services in China which have been long considered the exclusion for the private enterprises. As 2020 is approaching, the needs to fulfill the promises of the accessible quality healthcare to the citizens of the country dictate the rapid and concrete actions by the both government and the industry, thus creating more opportunities for the Company. However, given the lower down of the entry barriers to the medical industry in China, the Group may face keen competition and threat when attracting potential patients and retaining recurring patients, which may have an impact on the Group's market share in the industry.

The management is confident in the prospects of the increasing needs and marketing demands for quality and focused medical services. Those will continue to fuel the growing trends to improve the quality and bring more advanced technologies and procedures to the market. While we continue to improve the service standard in the existing hospitals and provide medical services that are required by local communities, we intend to work closely with the leading healthcare providers and educational institutions in the world to ensure we are adequately equipped to take the advantage of the promising market opportunities in China.

The management believes that it is important to keep an open mind for the exploration of newly developed medical technologies and procedures to address the diversified local needs from the communities where our hospitals are. Again, chronical disease treatment and management have become a priority because of the size of the market and the stressed focus by the central government. The management has already planned to get involved in this area and the preliminary results have confirmed the value and potentials of further development. The management is optimistic about the upcoming year in terms of the fast growth and efficient integration of our resources to accomplish the expected goals.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$132.283 million as at 31 March 2018 (2017: approximately HK$81.963 million).

The Group recorded total current assets of approximately HK$190.545 million as at 31 March 2018 (2017: approximately HK$132.325 million) and total current liabilities of approximately HK$61.293 million as at 31 March 2018 (2017: approximately HK$61.234 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.11 as at 31 March 2018 (2017: approximately 2.161).

As at 31 March 2018, the Group's gearing ratio was not applicable based on outstanding debts (comprising bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Group) (2017: N/A).

CAPITAL COMMITMENTS

As at 31 March 2018 and 2017, the Group had no material capital commitment.

For more details of the capital commitment of the Group during the year ended 31 March 2018, please refer to the paragraph headed "Material acquisitions and disposals of subsidiaries and affiliated companies" below.

CONTINGENT LIABILITIES

As at 31 March 2018 and 2017, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

FINANCING AND TREASURY POLICIES

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the directors consider that the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP'S ASSETS

As at 31 March 2018, the Group had bank borrowings of approximately HK$10.000 million which were secured by certain prepaid lease payment with carrying amount of approximately HK$23.494 million. As at 31 March 2017, the Group had bank borrowings of approximately HK$13.081 million which were secured by certain prepaid lease payment with carrying amount of approximately HK$22.152 million.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from provision of general hospital services. Financial information in respect of these operations is presented in Note 5.

CAPITAL STRUCTURE

As at 31 March 2018, the total issued share capital of the Company was approximately HK$29.168 million (2017: approximately HK$24.568 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (2017: 2,358,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK$0.01 (2017: HK$0.01) each.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 1,038 (2017: 870) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	16
PRC (including cities of Chongqing, Jiaxing, Zhuhai and Shanghai)	1,022

For the year ended 31 March 2018, staff costs (including directors emoluments) amounted to approximately HK$92.288 million (2017: approximately HK$80.119 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option schemes to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership. As at 31 March 2018, there were 65,090,000 (2017: 65,090,000) outstanding share options granted under the share option schemes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Acquisition of Future Health

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 and Vanhal Property Investment Limited ("**Vanhal**") as vendor, a company wholly-owned by Mr. Yung Kwok Leong (father of Mr. Yung Ka Chun, an executive Director), entered into the sale and purchase agreement (the "**sale and Purchase Agreement**"), pursuant to which Sino Business agreed to acquire and Vanhal agreed to sell 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 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**").

Pursuant to the Sale and Purchase Agreement, Sino Business had unconditionally and irrevocably undertaken to Vanhal that upon completion of the Sale and Purchase Agreement, it shall provide sufficient funds to Future Health to satisfy its funding commitment), in accordance with the Funding Agreement. As at the date of this announcement, Future Health had contributed GBP406,000 (equivalent to approximately HK$4,060,000) (the "**Contributions**") to the University for the establishment of the Institute, and the remaining GBP772,000 (equivalent to approximately HK$7,720,000) (the "**Outstanding Fund Commitment**") had been waived pursuant to the Termination Agreement (as defined below).

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

Formation of joint venture using Future Health

On 8 March 2018, Sino Business, the University and Future Health entered into the joint venture agreement (the "**JV Agreement**"), pursuant to which Sino Business and the University have agreed to jointly establish a joint venture using Future Health. On completion of the JV Agreement, Future Health was owned as to 51% by Sino Business and as to 49% by the University.

Pursuant to the JV Agreement, Future Health and the University have agreed to terminate the Funding Agreement in accordance with the termination agreement dated 6 March 2018 and entered into among the University, Future Health and Mr. Yung Kwok Leong (the "**Termination Agreement**"), under which (i) the University was obliged to pay GBP175,000 (equivalent to approximately HK$1,750,000) (the "**Remaining Balance**") to Future Health and the said amount was received on 9 March 2018; (ii) Future Health was not required to refund the Outstanding Fund Commitment; and (iii) Sino Business would waive all Future Health's repayment liabilities in respect of the Contributions.

The Remaining Balance shall be used by Future Health as working capital for the business of Future Health and its subsidiaries.

As Sino Business was able to control the majority of the board of directors of Future Health, Future Health became an indirect non wholly-owned subsidiary of the Company and Future Health's results would continue to be consolidated into the financial statements of the Company.

For more details, please refer to the announcement of the Company dated 9 March 2018. Subsequently, Future Health changed its name to Edinburgh International Investments Ltd. on 3 April 2018.

Save as disclosed, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On 1 March 2018, the Company as issuer and Kingston Securities Limited as placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent of up to 460,000,000 placing shares at a price of HK$0.1 per placing share. Completion of the placing took place on 20 March 2018, and 460,000,000 placing shares were allotted and issued to not less than six placees at the placing price of HK$0.1 per placing share pursuant to the terms and conditions of the placing agreement. For more details of the placing, please refer to the announcements of the Company dated 1 March 2018, 5 March 2018 and 20 March 2018 respectively.

The net proceeds from the Placing were approximately HK$44.5 million, which is intended to apply as to (1) approximately HK$22 million for the repayment of the promissory notes of the Group; and (2) approximately HK$22.5 million for the general working capital of the Group.

The net proceeds of approximately HK$15 million from the placing has been utilised, where (1) approximately HK$12 million was for the repayment of the promissory notes of the Group; and (2) approximately HK$3 million was for the general working capital of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Change of controlling shareholder of the Company

On 24 April 2018 after trading hours, the Company was informed by Solar Star Global Limited (the "**Offeror**") that the Offeror has acquired an aggregate of 553,491,516 shares of the Company in the following manners:

(a) the 418,491,516 shares ("**Transfer Shares**") representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the date of the joint announcement of the Company dated 24 April 2018 at a consideration of HK$46,034,066.76. The consideration is representing HK$0.11 per Transfer Shares, pursuant to the deed of settlement entered into between Easeglory Holdings Limited and Golden Prince Group Limited on 24 April 2018. Completion of the transfer of the Transfer Shares took place on 25 April 2018; and

(b) the 135,000,000 shares ("**Sale Shares**") representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the date of the joint announcement of the Company dated 24 April 2018 at an aggregate consideration of HK$14.85 million. The consideration is representing HK$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018. As confirmed by the Offeror with the broker, there were two vendors under the acquisition of the Sale Shares, from whom the Offeror acquired 70,000,000 shares and 65,000,000 shares, respectively. Each of the vendors and their ultimate beneficial owners is an independent third party not connected with the Offeror and parties acting in concert with it. Completion of the acquisition of the Sale Shares took place on 25 April 2018.

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

During the year ended 31 March 2018, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") (effective from 1 April 2012) as stated in Appendix 15 of the the GEM Listing Rules.

The Company has complied with the code provisions in the CG Code contained in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of code for the required standard of dealings in securities by directors of the Company 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 enquiries of directors of the Company and the directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the period from 1 April 2017 to 31 March 2018.

All directors have access to the advice and services of the company secretary with a view to ensuring that the Board procedures and all applicable rules and regulations are followed.

Minutes of the Board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any director.

All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

Audit Committee

The Company established the audit committee of the Company (the "**Audit Committee**") on 2 November 2001, with written terms of reference compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and is disclosed on the Company's website. The Audit Committee comprised of four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

During the year ended 31 March 2018, four meetings were held. The main duties of the Audit Committee during the year include:

(a) Reviewing the Group's audited annual and unaudited interim and quarterly results and reports and consider any significant or unusual items before submission to the Board.

(b) Reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) Reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

(d) Advising on material even or drawing the attention of the management on related risks.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the reappointment of external auditors.

The Group's audited consolidated financial results for the year ended 31 March 2018 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.

Nomination and Corporate Governance Committee

On 11 February 2014, the Board resolved to establish a nomination and corporate governance committee of the Company (the "**Nomination and Corporate Governance Committee**") in place and stead of the previously nomination committee of the Company, which was established on 27 March 2012 in compliance with the code provision. Written terms of reference were disclosed on the Company's website. The Nomination and Corporate Governance Committee has five members comprising the chief executive officer, Dr. Jiang Tao and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Dr. Jiang Tao is the chairman of the Nomination Committee and Corporate Governance Committee.

The main responsibilities of the Nomination and Corporate Governance Committee are to review the structure, size and composition, including the skills, knowledge and experience of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitable qualified to become directors and select, or make recommendations to the Board for directorships.

During the year ended 31 March 2018, three meetings were held.

Remuneration Committee

The Company established the remuneration committee of the Company (the "**Remuneration Committee**") on 3 June 2005 with written terms of reference as disclosed on the Company's website. The Remuneration Committee has five members comprising an executive Director, Mr. Zheng Gang and four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Remuneration Committee.

The role and function of the Remuneration Committee include the determination of 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.

During the year ended 31 March 2018, three meetings were held.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, business partners for their support. Also, I would like to offer my highest gratitude to our shareholders for their devotion and to our employees for their loyalty and contributions made during the year.

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

Hong Kong, 25 June 2018

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 remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.