



## HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8143)



# FIRST QUARTERLY REPORT 2018/2019

\* For identification purpose only

## CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given 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.

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

## HIGHLIGHTS

- The Group has recorded a revenue of approximately HK\$88.452 million for the three months ended 30 June 2018 as compared with HK\$80.426 million in the corresponding period in 2017, representing an increase of approximately 9.98%.
- Gross profit margin of the Group was approximately 71.07% for the three months ended 30 June 2018, compared with 72.44% in the corresponding period in year 2017, with the gross profit margin maintained at a similar level.
- The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2018 of approximately HK\$4.712 million as compared with a profit of HK\$0.764 million in the corresponding period in 2017.
- The Directors do not recommend the payment of dividend for the three months ended 30 June 2018 (2017: Nil).

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

## FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

### Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2018

		Three months ended	
		30 June	
		2018	2017
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Continuing operations</b>			
Revenue	3	88,452	80,426
<b>Cost of sales</b>		<b>(25,593)</b>	<b>(22,165)</b>
<b>Gross profit</b>		<b>62,859</b>	<b>58,261</b>
Other revenue		331	100
Selling and distribution expenses		(43,040)	(34,113)
Administrative expenses		(20,548)	(19,547)
<b>(Loss)/profit from operations</b>		<b>(398)</b>	<b>4,701</b>
Finance costs		(485)	(639)
<b>(Loss)/profit before taxation</b>		<b>(883)</b>	<b>4,062</b>
Taxation	4	(2,123)	(1,663)
<b>(Loss)/profit for the period</b>		<b>(3,006)</b>	<b>2,399</b>
<b>Other comprehensive loss for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income		(490)	–
Exchange differences on translating foreign operations		(4,229)	(11,075)
<b>Total comprehensive loss for the period</b>		<b>(7,725)</b>	<b>(8,676)</b>

		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2018</b>	2017
	Note	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(4,712)	764
Non-controlling interests		<u>1,706</u>	<u>1,635</u>
		<u><b>(3,006)</b></u>	<u><b>2,399</b></u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(16,500)	(12,289)
Non-controlling interests		<u>8,775</u>	<u>3,613</u>
		<u><b>(7,725)</b></u>	<u><b>(8,676)</b></u>
<b>Dividends</b>	6	<u>–</u>	<u>–</u>
<b>(Loss)/profit per share attributable to owners of the Company</b>			
– Basic (HK cents)		<u><b>(0.162)</b></u>	<u>0.032</u>
– Diluted (HK cents)	5	<u><b>(0.162)</b></u>	<u>0.032</u>

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2018

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 Note (a)	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Sub-total HK\$'000		
At 1 April 2017 (audited)	24,568	400,239	295,610	-	(754)	(6,735)	6,157	16,200	2,537	13,501	(50,779)	243,613	44,202	287,895
Profit for the period	-	-	-	-	-	-	-	-	-	-	764	764	1,635	2,399
Exchange difference on translating foreign operations	-	-	-	-	-	-	(13,053)	-	-	-	-	(13,053)	1,978	(11,075)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(13,053)	-	-	-	764	(12,289)	3,613	(8,676)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	(589)	-	-	(589)	-	(589)
At 30 June 2017 (unaudited)	24,568	400,239	295,610	-	(754)	(6,735)	(6,896)	16,200	2,537	12,912	(507,026)	230,735	47,895	278,630
At 1 April 2018 (audited)	29,168	440,289	295,610	551	-	(6,735)	19,628	16,469	-	15,802	(610,289)	200,493	50,192	250,685
Loss for the Period	-	-	-	-	-	-	-	-	-	-	(4,712)	(4,712)	1,706	(3,006)
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(490)	-	-	-	-	-	-	(490)	-	(490)
Exchange Difference on Translating Foreign Operations	-	-	-	-	-	-	(1,140)	-	-	-	(10,158)	(11,298)	7,069	(4,229)
Total Comprehensive Income for the Period	-	-	-	-	(490)	-	(1,140)	-	-	-	(14,870)	(16,500)	8,775	(7,725)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(7,118)	(7,118)
Lapse of share option	-	-	-	-	-	-	-	16,463	-	-	(16,463)	-	-	-
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-	2,071	-	-	2,071	-	2,071
At 30 June 2018 (unaudited)	29,168	440,289	295,610	551	(490)	(6,735)	18,488	6	-	17,873	(608,696)	186,064	51,849	237,913

### Note:

- (a) As at 30 June 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 each (2017: HK\$0.01 each).

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

*For the three months ended 30 June 2018*

## 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 People's Republic of China (the "PRC").

## 2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the three months ended 30 June 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2018 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2018 (the "2017/18 Financial Statements"), which have become effective in this period as detailed in notes to the 2017/18 Financial Statements. The Directors believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

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

### 3. Revenue

Revenue represents the provision of general hospital services during the period. The analysis of the Group's revenue for the periods is as follows:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue</b>		
Provision of general hospital services	<u>88,452</u>	<u>80,426</u>
<b>Other Revenue</b>		
Interest income	<u>61</u>	<u>54</u>

### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2017: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the provision of general hospital services in the PRC (2017: approximately 25%).



## 5. (Loss)/earning per share

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

### (a). Basic

	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss)/profit		
Attributable to holders of ordinary shares of the Company	<u>(4,712)</u>	<u>764</u>
Weighted average number of ordinary shares in issue	<u>2,818,249,944</u>	<u>2,358,249,944</u>

### (b). Diluted (loss)/profit per share

During the three months ended 30 June 2018, the computation of diluted loss per share did not assume the conversion of the Company's outstanding share option since the effect of such conversion was anti-dilutive.

## 6. Dividends

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2018 (2017: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### General hospital services

The turnover generated from four general hospitals for the three months ended 30 June 2018 amounted to approximately HK\$88.452 million (2017: approximately HK\$80.426 million for four general hospitals), representing an increase of approximately 9.98% compared with the same period last year.

### Discontinued operations – Pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses

On 2 March 2017, the Group completed the disposal of its non wholly-owned subsidiaries, Wanjia Group Holdings Limited and its subsidiaries (the “**Disposal Group**”).

The Group no longer participates in the pharmaceutical wholesale, distribution and pharmaceutical retail chain business in the PRC upon the completion of the distribution on 2 March 2017. As a result, the gain or loss from the pharmaceutical wholesale, distribution and pharmaceutical retail chain business engaged by the Disposal Group have been classified as discontinued operations.

For more details of the distribution, please refer to the announcements of the Company dated 9 November 2016, 27 January 2017, 16 February 2017 and 2 March 2017 respectively, and the circular of the Company date 27 January 2017.

## **Expenses**

Selling and distribution expenses for the three months ended 30 June 2018 amounted to approximately HK\$43.040 million (2017: approximately HK\$34.113 million), representing an increase of approximately 26.17% compared with the same period last year. The increase in selling and distribution expenses was due to the increase of promotional expenses and rental expenses started to occur during the year ended 31 March 2018 and continue into current period. The increase of promotional expenses was mainly due to change in advertising environment, where the Group had to conduct a series of online advertising campaign to promote the brand to potential patients. The Group will continually allocate more resources on promotional and advertising to explore new business opportunities.

Administrative expenses for the three months ended 30 June 2018 amounted to approximately HK\$20.548 million (2017: approximately HK\$19.547 million), representing an increase of approximately 5.12%. The increase was mainly related to the increase of staff costs.

## **(Loss)/profit attributable to owners of the Company**

The Group has recorded a loss attributable to owners of the Company for the three months ended 30 June 2018 of approximately HK\$4.712 million as compared with a profit of HK\$0.764 million in the corresponding period in 2017.

## **Business Review and Outlook**

### **General hospital services**

During the three months ended 30 June 2018, the Group operated four general hospitals in Chongqing, Jiaying, Zhuhai and Beijing 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 turnover generated from the provision of general hospital services for the three months ended 30 June 2018 was approximately HK\$88.452 million (2017: approximately HK\$80.426 million), representing an increase of approximately 9.98% compared with the same period last year.

## Future Prospects

The development of the healthcare has been positioned as one of the top national strategies not only for the delivery of services, but more importantly for the economic growth and social welfare. The latest policy and focus from the central government of China clearly encourage the heavy involvement of the social capital and private businesses. In the meantime, the further segmentation of healthcare market driven by increasing personal available expenditures and special needs has opened more opportunities for high quality and specialized medicines, including individualized chronic disease management, general medicine and more. 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.

The management feels that the cooperation with internationally renowned medical institutions and educational organizations allows the Company to take full advantages of the market needs. The strategic cooperation and alliance that that Company has already established will begin to help the existing hospital businesses and ultimately lay a solid foundation for a fast and productive development in the near future especially in the field of chronic disease treatment and special medicines. At the same time, the Company will continue to improve the service standard and technology in existing hospitals and provide medical services that are required by local communities according to market demand. The management strongly believes that by 2020, our efforts and strategic planning will help us achieve the goals in the healthcare business.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the three months ended 30 June 2018.

## **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, representing approximately 19.64% of the issued share capital of the Company. Completion of the transfer of the shares of the Company took place on 25 April 2018.

For further details, please refer to (i) the announcements jointly issued by the Company and the Offeror dated 27 April 2018, 14 June 2018 and 3 July 2018; and (ii) the composite offer and response document jointly issued by the Company and the Offeror dated 5 June 2018.

As at the date of the closing of the offers on 3 July 2018, the Offeror and parties acting in concert with it are interested in an aggregate of (i) 1,640,959,460 shares, representing approximately 58.23% of the issued share capital of the Company; and (ii) 98,500,000 convertible preference shares of the Company.

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

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

As at 30 June 2018, 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 (Chapter 571 of the Laws of Hong Kong) (the "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 and underlying shares	Position	Approximate percentage of the total issued shares
Mr. Ng Chi Lung	Personal interest (Note)	59,000,000	Long	2.09%
	Corporate interest (Note)	1,680,459,460	Long	59.63%
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.33%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.21%

Note: Solar Star Global Limited ("Solar Star") is interested in 1,581,959,460 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the shares and the convertible preference shares in which Solar Star is interested in under Part XV of 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
Nil	-	-	-	-

Save as disclosed above, as at 30 June 2018, 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 of the Company**

As at 30 June 2018, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' interests and short positions in the securities 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 and underlying shares of the Company:***

Name of shareholder	Number of shares and underlying shares	Position	Capacity	Approximate percentage of the total issued shares
Solar Star Global Limited ("Solar Star") (Note 1)	1,680,459,460	Long	Beneficial owner	59.63%
Ms. Cheng Wai Yin (Note 2)	1,739,459,460	Long	Interest of spouse	61.72%
New Hope International (Hong Kong) Limited ("New Hope International") (Note 3)	343,217,539	Long	Beneficial owner	12.18%
Southern Hope Enterprise Co., Ltd. <sup>#</sup> (南方希望實業有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
New Hope Group Co., Ltd. <sup>#</sup> (新希望集團有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
Tibet Hengye Feng Industrial Co., Ltd. <sup>#</sup> (西藏恒業峰實業有限公司) (Note 3)	343,217,539	Long	Corporate interest	12.18%
Mr. Liu Yonghao (Note 3)	343,217,539	Long	Corporate interest	12.18%
Ms. Liu Chang (Note 3)	343,217,539	Long	Corporate interest	12.18%
Ms. Li Wei (Note 3)	343,217,539	Long	Interest of spouse	12.18%



Notes:

- (1) Solar Star is interested in 1,581,959,460 shares and 98,500,000 convertible preference shares of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.
- (2) Ms. Cheng Wai Yin is the spouse of Mr. Ng Chi Lung. Ms. Cheng Wai Yin is deemed to be interested in the shares and the convertible preference shares in which Mr. Ng Chi Lung is interested in under Part XV of the SFO.
- (3) New Hope International is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International is owned as to 75% by Southern Hope Enterprise Co., Ltd.<sup>#</sup> which is in turn owned as to 51% by New Hope Group Co., Ltd.<sup>#</sup> and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.<sup>#</sup> Both New Hope Group Co., Ltd.<sup>#</sup> and Tibet Hengye Feng Industrial Co., Ltd.<sup>#</sup> 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 is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 June 2018, 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**

Save as disclosed under the heading "Directors' interests and short positions in the securities 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.

Save as disclosed above, at no time during the three months ended 30 June 2018 was the Company or any of its subsidiaries, associated companies, fellow subsidiaries or holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the period.

## SHARE OPTION SCHEMES

As at 30 June 2018, there was a total of 450,000 outstanding share options, of which representing approximately 0.02% 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 share options outstanding, their respective exercise prices and their respective exercise periods were as follows:

Categories of grantees	Exercise period	Exercise price	Number of options outstanding
Employees of the Group	30 September 2009 to 29 March 2019	HK\$0.50	450,000

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

During the three months ended 30 June 2018, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2018, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## PRE-EMPTIVE RIGHTS

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

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

The Company had adopted a code of conduct regarding directors securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2018.

## **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 three months ended 30 June 2018.

## **REMUNERATION COMMITTEE**

The Company established the remuneration committee of the Company (the “**Remuneration Committee**”) on 3 June 2005 in compliance with the code provision. The Remuneration Committee has four members comprising an executive Director, Mr. Zheng Gang, and three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. 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 has four members comprising the chief executive officer, Dr. Jiang Tao, and three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Dr. Jiang Tao is the chairman of the Nomination and Corporate Governance Committee.

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; (iii) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

## **AUDIT COMMITTEE**

The Company established the audit committee of the Company (the “**Audit Committee**”) on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are: (i) to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The Audit Committee comprised of three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

The Group's unaudited condensed consolidated results for the three months ended 30 June 2018 has not been audited by the auditors of the Company, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

By order of the Board  
**Hua Xia Healthcare Holdings Limited**  
**Ng Chi Lung**  
*Chairman and Executive Director*

Hong Kong, 13 August 2018

*As at the date of this report, the Board comprises Mr. Ng Chi Lung, Dr. Jiang Tao, Mr. Zheng Gang and Mr. Chan Chi Ming, Tony as executive Directors; Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli as independent non-executive Directors.*

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