



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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* For identification purpose only

HIGHLIGHTS

- The Group has recorded a total revenue of approximately HK\$172.147 million for the six months ended 30 September 2018 as compared with approximately HK\$159.504 million in the corresponding period in year 2017, representing an increase of approximately 7.93%.
- Gross profit margin of the Group was approximately 70.54% for the six months ended 30 September 2018, compared with 72.91% in the corresponding period in year 2017, representing a decrease of approximately 2.37 percentage points.
- The Group has recorded a loss attributable to owners of the Company for the six months ended 30 September 2018 of approximately HK\$22.246 million (2017: loss attributable to owners of the Company of approximately HK\$0.788 million).
- The Directors do not recommend the payment of a dividend for the six months ended 30 September 2018 (2017: Nil).

INTERIM 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 and six months ended 30 September 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4 & 5	83,695	79,078	172,147	159,504
Cost of sales		(25,117)	(21,038)	(50,710)	(43,203)
Gross profit		58,578	58,040	121,437	116,301
Other revenue		9	58	340	158
Other gain/(loss), net		(471)	–	(471)	–
Gain on disposal of subsidiaries	16	474	–	474	–
Impairment loss of a disposal group classified as held for sale	15	(9,600)	–	(9,600)	–
Impairment loss on goodwill		(6,154)	–	(6,154)	–
Selling and distribution expenses		(40,385)	(38,035)	(83,425)	(72,148)
Administrative expenses		(22,983)	(18,014)	(43,531)	(37,561)
(Loss)/profit from operations	6	(20,532)	2,049	(20,930)	6,750
Finance costs	7	(203)	(318)	(688)	(957)
(Loss)/profit before taxation		(20,735)	1,731	(21,618)	5,793
Taxation	8	(874)	(2,611)	(2,997)	(4,274)
(Loss)/profit for the period		(21,609)	(880)	(24,615)	1,519
Other comprehensive income for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of equity instruments at fair value through other comprehensive income		94	–	(396)	–
Exchange differences on translating foreign operations		(9,769)	11,713	(13,998)	638
Total comprehensive (loss)/profit for the period		(31,284)	10,833	(39,009)	2,157

		Three months ended 30 September		Six months ended 30 September	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:					
Owners of the Company		(17,534)	(1,552)	(22,246)	(788)
Non-controlling interests		(4,075)	672	(2,369)	2,307
		<u>(21,609)</u>	<u>(880)</u>	<u>(24,615)</u>	<u>1,519</u>
Total comprehensive (loss)/profit for the period attributable to:					
Owners of the Company		(24,181)	4,255	(40,681)	(8,034)
Non-controlling interests		(7,103)	6,578	1,672	10,191
		<u>(31,284)</u>	<u>10,833</u>	<u>(39,009)</u>	<u>2,157</u>
Dividends	13	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss per share attributable to owners of the Company					
- Basic (HK cents)	9	<u>(0.601)</u>	<u>(0.065)</u>	<u>(0.763)</u>	<u>(0.033)</u>
- Diluted (HK cents)		<u>(0.601)</u>	<u>(0.065)</u>	<u>(0.763)</u>	<u>(0.033)</u>

Condensed Consolidated Statement of Financial Position
As at 30 September 2018

	Notes	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		39,886	81,496
Prepaid lease payments		–	22,434
Deposit for property, plant and equipment		2,962	2,962
Available for sale financial assets		–	2,939
Equity instruments at fair value through other comprehensive income		2,543	–
Goodwill		46,153	52,307
		<u>91,544</u>	<u>162,138</u>
Current assets			
Inventories		6,931	15,054
Trade and other receivables and deposits	10	28,522	43,208
Cash and cash equivalents		72,154	132,283
		<u>107,607</u>	<u>190,545</u>
Assets of a disposal group classified as held for sale	15	97,656	–
Total assets		<u>296,807</u>	<u>352,683</u>
EQUITY			
Capital and reserves			
Share capital	11	29,168	29,168
Reserves		127,786	171,325
Equity attributable to owners of the Company		<u>156,954</u>	<u>200,493</u>
Non-controlling interests		<u>51,865</u>	<u>50,192</u>
Total equity		<u>208,819</u>	<u>250,685</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	42,143	46,364
Bank borrowings		–	10,000
Amounts due to non-controlling shareholders		178	1,230
Tax payables		712	1,707
Promissory notes		–	1,992
		<u>43,033</u>	<u>61,293</u>
Liabilities directly associated with the assets classified as held for sale	15	22,407	–
Non-current liabilities		22,358	40,705
Promissory note		190	–
Deferred taxation		<u>22,548</u>	<u>40,705</u>
Total liabilities		<u>87,988</u>	<u>101,998</u>
Total equity and liabilities		<u>296,807</u>	<u>352,683</u>
Net current assets		<u>139,823</u>	<u>129,252</u>
Total assets less current liabilities		<u>231,367</u>	<u>291,390</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	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 (Note (b))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	-	-	-	-	-	(788)	(788)	2,307	1,519
Exchange difference on translating foreign operations	-	-	-	-	-	-	5,467	-	-	-	(12,713)	(7,246)	7,884	638
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	5,467	-	-	-	(13,501)	(8,034)	10,191	2,157
Change in fair value of available-for-sale financial assets	-	-	-	-	(2,637)	-	-	-	-	-	-	(2,637)	-	(2,637)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	(477)	-	(477)	-	(477)
At 30 September 2017 (unaudited)	24,568	400,239	295,610	-	(3,391)	(6,735)	11,624	16,280	2,537	13,024	(521,291)	232,465	54,473	286,938
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
Equity instruments at fair value through other comprehensive income	-	-	-	-	(396)	-	-	-	-	-	-	(396)	-	(396)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(22,426)	(22,426)	(2,369)	(24,615)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(7,570)	-	-	-	(10,469)	(18,039)	4,041	(13,998)
Total comprehensive income/(loss) for the period	-	-	-	-	(396)	-	(7,570)	-	-	-	(32,715)	(40,681)	1,672	(39,009)
Lapse of share option	-	-	-	-	-	-	-	(16,463)	-	-	16,463	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(4,345)	(4,345)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	1,488	-	1,488	-	1,488
At 30 September 2018 (unaudited)	29,168	440,289	295,610	551	(396)	(6,735)	12,058	6	-	17,290	(626,541)	161,300	47,519	208,819

Notes:

- (a) As at 30 September 2018, the total issued share capital of the Company was approximately HK\$29.168 million (31 March 2018: approximately HK\$29.168 million) divided into 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares (31 March 2018: 2,818,249,944 ordinary shares and 98,500,000 non-voting convertible preference shares) of HK\$0.01 each (31 March 2018: 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(7,125)	(3,958)
Net cash used in investing activities	(1,310)	(2,092)
Net cash used in financing activities	<u>(22,295)</u>	<u>(5,911)</u>
Net decrease in cash and cash equivalents	(30,730)	(11,961)
Cash and cash equivalents at 1 April	<u>102,884</u>	<u>81,963</u>
Cash and cash equivalents at 30 September, represented by:		
Bank balances and cash	72,154	70,002
Bank balances and cash included in assets classified as held for sale	<u>29,399</u>	<u>–</u>
Cash and cash equivalents at 30 September	<u><u>101,553</u></u>	<u><u>70,002</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 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 PRC.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual 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 Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these Interim Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

3. Significant Accounting Policies

The Group has adopted the following revised HKFRSs for the first time for the current period's Interim Financial Statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations. The Group recognises revenue from the following major sources:

- Provision of services
- Interest income

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected as the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.1.2 Impacts of application on HKFRS 15

The Group’s business model is straight forward and its contracts with customers for the provision of hospital service include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point in time when a customer obtains control. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group’s revenue recognition.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (“FVTOCI”).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income; and are not subject to impairment assessment. The cumulative gain or loss accumulated in fair value through other comprehensive income reserve will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue" line item in profit or loss.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Available- for-sale HK\$000	Equity Instruments at FVOCI HK\$000
Closing balance at 31 March 2018 – HKAS 39	2,939	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale	<u>(2,939)</u>	<u>2,939</u>
Opening at balance at 1 April 2018	<u>–</u>	<u>2,939</u>

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK\$2,939,000 related to listed equity securities in Hong Kong stated at fair value under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$2,939,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	81,496	–	–	81,496
Prepaid lease payments	22,434	–	–	22,434
Deposit for property, plant and equipment	2,962	–	–	2,962
Available-for-sale financial assets	2,939	–	(2,939)	–
Equity instruments at fair value through other comprehensive income	–	–	2,939	2,939
Goodwill	52,307	–	–	52,307
	<u>162,138</u>	<u>–</u>	<u>–</u>	<u>162,138</u>
Current assets				
Inventories	15,054	–	–	15,054
Trade and other receivables and deposits	43,208	–	–	43,208
Cash and cash equivalents	132,283	–	–	132,283
	<u>190,545</u>	<u>–</u>	<u>–</u>	<u>190,545</u>
Current liabilities				
Trade and other payables	46,364	–	–	46,364
Bank borrowings	10,000	–	–	10,000
Amounts due to non-controlling shareholders	1,230	–	–	1,230
Tax payables	1,707	–	–	1,707
Promissory notes	1,992	–	–	1,992
	<u>61,293</u>	<u>–</u>	<u>–</u>	<u>61,293</u>
Net current assets	<u>129,252</u>	<u>–</u>	<u>–</u>	<u>129,252</u>
Total assets less current liabilities	<u>291,390</u>	<u>–</u>	<u>–</u>	<u>291,390</u>
Non-current liabilities				
Promissory notes	40,705	–	–	40,705
Net assets	<u>250,685</u>	<u>–</u>	<u>–</u>	<u>250,685</u>
EQUITY				
Capital and reserves				
Share capital	29,168	–	–	29,168
Reserves	171,325	–	–	171,325
Equity attributable to owners of the Company	<u>200,493</u>	<u>–</u>	<u>–</u>	<u>200,493</u>
Non-controlling interests	<u>50,192</u>	<u>–</u>	<u>–</u>	<u>50,192</u>
Total equity	<u><u>250,685</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>250,685</u></u>

4. 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 September		Six months ended 30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Provision of general hospital services	83,695	79,078	172,147	159,504

5. 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. The chief operating decision maker has decided to combine the provision of general hospital service and the provision of healthcare and hospital management services into one single operation division in order to manage and review the performance of the hospital related business more efficiently. These divisions are the basis on which the Group reports its segment information.

For the six months ended 30 September 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.

6. (Loss)/profit from operations

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	3,249	3,141	6,443	6,039
Impairment loss of a disposal group classified as held for sale	9,600	–	9,600	–
Impairment loss on goodwill for Beijing Tongji Hospital Co., Limited	6,154	–	6,154	–
Amortisation of prepaid lease payments	938	685	2,561	1,332
Operating lease rentals in respect of buildings	5,013	4,601	9,703	9,547
Staff costs (including Directors' remuneration)	21,699	18,327	43,424	34,906

7. Finance costs

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– Convertible note and promissory note	95	243	263	622
– Bank borrowings wholly repayable within five years	108	75	425	335
	<u>203</u>	<u>318</u>	<u>688</u>	<u>957</u>

8. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim 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 pharmaceutical wholesale and distribution and pharmaceutical retail chain business and general hospital services in the PRC (2017: approximately 25%).

9. Loss per share

The calculation of basic loss per share for the three months ended 30 September 2018 was based on the loss for the period attributable to owners of the Company of approximately HK\$17.534 million (2017: loss attributable to owners of the Company of approximately HK\$1.552 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2017: 2,358,249,944 shares).

The calculation of basic loss per share for the six months ended 30 September 2018 was based on the loss for the period attributable to owners of the Company of approximately HK\$22.246 million (2017: loss attributable to owners of the Company of approximately HK\$0.788 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2017: 2,358,249,944 shares).

For the three months periods ended 30 September 2018 and 2017, and the six months periods ended 30 September 2018 and 2017, the calculation of diluted loss per share did not assume the exercise of the convertible notes and outstanding share options existed as at 30 September 2018 and 2017, respectively, as the exercise of the convertible notes and share options would decrease the loss per share, and therefore are anti-dilutive.

10. Trade and other receivables and deposits

	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables, net	16,307	21,196
Prepayments and deposits paid	31,459	20,328
Prepaid lease payments	967	1,060
Other receivables	9,264	10,582
	57,997	53,166
<i>Less: Assets of a disposal group classified as held for sale</i>	(20,624)	–
<i>Less: Impairment loss recognised in respect of other receivables</i>	(8,851)	(9,958)
	28,522	43,208

Payment terms with customers from general hospital services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 90 days	10,424	15,701
91 to 180 days	1,274	1,828
181 to 365 days	681	3,667
Over 365 days	5,796	2,374
	18,175	23,570
<i>Less: Impairment loss recognised in respect of trade receivables</i>	(1,868)	(2,374)
	16,307	21,196

11. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2018	110,000,000,000	1,100,000
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2018	<u>40,000,000,000</u>	<u>400,000</u>
	<u>150,000,000,000</u>	<u>1,500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2018	2,818,249,944	28,183
Non-voting convertible preference shares of HK\$0.01 each at 30 September 2018	<u>98,500,000</u>	<u>985</u>
	<u>2,916,749,944</u>	<u>29,168</u>

12. Trade and other payables

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade payables	28,444	25,253
Receipts in advance	1,447	601
Accruals and other payables	<u>24,763</u>	<u>20,510</u>
	54,654	46,364
<i>Less: Liabilities directly associated with the assets classified as held for sale</i>	<u>(12,511)</u>	–
	<u>42,143</u>	<u>46,364</u>

Bill payables were secured by certain pledged bank deposits.

The average credit period on purchases of certain goods is 90 days. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
0 to 90 days	17,267	16,136
91 to 180 days	4,170	3,141
181 to 365 days	3,176	1,828
Over 365 days	3,831	4,148
	<u>28,444</u>	<u>25,253</u>

13. Dividends

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

14. Related party transactions

During the reporting period, other than those transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions with related parties which, in the opinion of the directors, were carried out in the ordinary courses of the Group's business:

a) *Key management personnel*

Remuneration for key management personnel, including amount paid to the Company's Directors and other members of key management during the period were as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,421	2,957
Share-based payment expenses	—	—
	<u>3,421</u>	<u>2,957</u>

b) Transaction

During the reporting period, the Group had the following connected transactions with related parties:

Name of related parties	Nature of transactions	Six months ended	
		30 September	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Non-controlling shareholder of Edward Hospital Company Limited	Management fee paid	<u>423</u>	<u>532</u>

15. Disposal group

As detailed in Note 17, in respect of the disposal of Hero Vision Enterprises Limited, the corresponding assets and liabilities have been reclassified into “Assets of a disposal group classified as held for sale” and “Liabilities directly associated with the assets classified as held for sale” respectively in the condensed consolidated statement of financial position. During the current period, the company recorded an impairment loss of a disposal group of approximately HK\$9,600,000.

16 Disposals of subsidiaries

- (a) During the six months periods ended 30 September 2018, the Group disposed of its entire equity interest in subsidiaries Grand Motion Investments Limited to an independent third party. The disposal was completed on 26 July 2018.

	<i>HK\$'000</i>
Net assets disposed of:	
Cash and cash equivalents	—
Gain on disposal of a subsidiary	<u>60</u>
Satisfied by:	
Cash consideration	<u>60</u>

- (b) During the six months periods ended 30 September 2018, the Group disposed of its entire equity interest in subsidiaries Pico Rise Investments Limited to an independent third party. The disposal was completed on 25 July 2018.

	<i>HK\$'000</i>
The consolidated net assets disposed of:	
Cash and cash equivalents	42
Property, plant and equipment	5
Other receivable	1906
Other payables	<u>(1,437)</u>
Consolidated net assets disposed of:	516
Release of translation reserve upon disposal	<u>(30)</u>
	486
Gain on disposal of a subsidiary	<u>414</u>
	<u><u>900</u></u>
Satisfied by:	
Cash consideration	<u><u>900</u></u>

17. Events after the end of the reporting period

On 30 October 2018, Ally Health International Limited (“Ally Health”), a wholly-owned subsidiary of the Company, and Mr. Wong Yeuk Hung (“Mr. Wong”) entered into sale and purchase agreement, pursuant to which, Ally Health conditionally agreed to sell and Mr. Wong conditionally agreed to purchase the entire issued share capital of Hero Vision Enterprises Limited at the cash consideration of HK\$73,000,000.

For further details, please refer to the announcement of the Company dated 30 October 2018.

Save as disclosed, no significant event took place subsequent to the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2018 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$172.147 million (2017: approximately HK\$159.504 million), representing an increase of approximately 7.93% as compared with the same period last year.

Selling and distribution expenses for the period under review amounted to approximately HK\$83.425 million (2017: approximately HK\$72.148 million), an increase of approximately 15.63%. 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 period under review amounted to approximately HK\$43.531 million (2017: approximately HK\$37.561 million), an increase by approximately 15.89%. The increase was mainly related to the increase of staff costs.

The Group recorded a loss attributable to owners of the Company of approximately HK\$22.246 million for the period under review (2017: loss attributable to owners of the Company of approximately HK\$0.788 million), representing an increase in the loss attributable to owners of the Company as compared with the same period last year. The increase was mainly due to the recognition of an impairment loss of a disposal group classified as held for sale of approximately HK\$9.600 million and impairment loss on goodwill in respect of Beijing Tongji Hospital Co., Limited[#] (北京同濟醫院有限公司, “**Beijing Tongji Hospital**”) of approximately HK\$6.154 million.

As disclosed in the annual report of the Company for the year ended 31 March 2018, due to keen competition where Beijing Tongji Hospital operates, as a result the operating profit of that hospital has continued to decrease and the management of Beijing Tongji Hospital expects such situation would be persisted in the forthcoming years.

Business Review and Outlook

General hospital services

During the six months ended 30 September 2018, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing principally engaged in the provision of 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 hospitals for the six months ended 30 September 2018 was approximately HK\$172.147 million (2017: approximately HK\$159.504 million), an increase by approximately about 7.93%. The Company currently intends to continue to operate its existing business, including the development of the Edinburgh International Hospital. The Directors will continue to review the Group's existing business from time to time.

Future Prospects

The latest data shows that the healthcare industry in China has rapidly advanced in all aspects of primary care, disease prevention, and rehabilitation to fulfill the targets of delivering the accessible and affordable healthcare to the people of the country. The healthcare reform has continued to change the landscape of the community care programs, diversified clinical services, and drug distribution. Among all, it is noted that the advanced technologies have largely driven further innovations to ensure the easy delivery of the medical services of high quality and safety to those in need. All of those have opened more opportunities in one of the largest markets in the world to healthcare service companies. It is exactly in view of the promising development that the management of the Group is confident to be well poised to take advantage of this reform and favorable outcomes. The Group's hospitals will continue to improve the quality of services and the new medical technologies in the present market.

At the same time, the Group is closely working with the leading medical organizations to bring the new technologies, the well proved service models, and especially the promising medical informetrics to our existing hospitals and new business ventures. Ultimately the Group will benefit from the value experiences and successful implementation from our partners around the world. The management continues to focus on the training of medical staff, the exploration of the new business approaches, the quality and safety of medical services and the optimization of our resources for the better outcomes both medically and financially. The Group is confident about our ability to expand the businesses in the country in line with the national goals of the Health China 2020.

Capital Structures, Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$101.553 million as at 30 September 2018 (31 March 2018: approximately HK\$132.283 million).

The Group recorded total current assets of approximately HK\$107.607 million (excluded approximately HK\$97.656 million grouped under assets of a disposal group classified as held for sale) as at 30 September 2018 (31 March 2018: approximately HK\$190.545 million) and total current liabilities of approximately HK\$43.033 million (excluded approximately HK\$22.407 million grouped under liabilities directly associated with the assets classified as held for sale) as at 30 September 2018 (31 March 2018: approximately HK\$61.293 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.501 as at 30 September 2018 (31 March 2018: approximately 3.109).

Gearing Ratio

Gearing ratio (total borrowings comprises bill payables, bank borrowings, convertible note and promissory note, net of cash and bank balances, over equity attributable to owners of the Company) as at 30 September 2018 was approximately N/A (31 March 2018: approximately N/A).

Capital Commitment

As at 30 September 2018, the Group had no material capital commitment (31 March 2018: Nil).

Significant Investments Held

As at 30 September 2018, the Group did not hold any significant investment (31 March 2018: Nil).

Contingent Liabilities

As at 30 September 2018, 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 (31 March 2018: Nil).

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.

Dividends

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

Foreign Exchange Risk

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. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2018.

Charges on the Group's Assets

As at 30 September 2018, the Group's bank deposits of approximately HK\$Nil (31 March 2018: approximately HK\$Nil) were pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2018, the Group had 1,047 (31 March 2018: 1,052) full time employees. During the six months ended 30 September 2018, the staff costs, including Directors' remuneration, totalled approximately HK\$43.424 million (2017: approximately HK\$34.906 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group. The Group's employment and remuneration policies remained the same as detailed in its annual report for the year ended 31 March 2018.

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 period under review.

COOPERATION WITH PUTIAN MEDICAL ON THE ESTABLISHMENT OF EDINBURGH INTERNATIONAL HOSPITAL

On 26 September 2018, Edinburgh International Investments Ltd. (“**Edinburgh International**”), a non wholly-owned subsidiary of the Company, and Putian Medical Healthcare Investment Co., Ltd# (莆田市醫療健康產業投資有限公司, “**Putian Medical**”) entered into the cooperation agreement, pursuant to which, Putian Medical shall provide subsidy for and Edinburgh International shall establish and operate the Edinburgh International Hospital in the Mazu International Healthcare City# (媽祖國際健康城) .

For further details, please refer to the announcements of the Company dated 26 September 2018 and 12 October 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 17 to the Condensed Consolidated Financial Statements for details.

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 September 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) ("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	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 September 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 September 2018, other than the interests of Directors or chief executives of the Company as disclosed in the paragraph headed "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:

Name of shareholder	Capacity	Number of shares and underlying shares	Position	Approximate percentage of the total issued shares
Solar Star Global Limited ("Solar Star") (Note 1)	Beneficial owner	1,680,459,460	Long	59.63%
Ms. Cheng Wai Yin (Note 2)	Interest of spouse	1,739,459,460	Long	61.72%
New Hope International (Hong Kong) Limited ("New Hope International") (Note 3)	Beneficial owner	343,217,539	Long	12.18%
Southern Hope Enterprise Co., Ltd. [#] (南方希望實業有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
New Hope Group Co., Ltd. [#] (新希望集團有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
Tibet Hengye Feng Industrial Co., Ltd. [#] (西藏恒業峰實業有限公司) (Note 3)	Corporate interest	343,217,539	Long	12.18%
Mr. Liu Yonghao (Note 3)	Corporate interest	343,217,539	Long	12.18%
Ms. Liu Chang (Note 3)	Corporate interest	343,217,539	Long	12.18%
Ms. Li Wei (Note 4)	Interest of spouse	343,217,539	Long	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.[#] which is in turn owned as to 51% by New Hope Group Co., Ltd.[#] and as to 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 and Ms. Liu Chang are deemed to be interested in the shares in which New Hope International is interested in under Part XV of the SFO.
- (4) Ms. Li Wei is the spouse of Mr. Liu Yonghao. Ms. Li Wei is deemed to be interested in the shares in which Mr. Liu Yonghao is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 September 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

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.

Save as disclosed above, at no time during the period under review 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 September 2018, there were 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 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
Employees of the Group	30 September 2009 to 29 March 2019	HK\$0.50	450,000

Details of movements of the share options granted under the share option schemes during the period under review were as follows:

Categories of grantees	Date of grant	Exercise period	Exercise price	Number of share options				As at 30 September 2018
				As at 1 April 2018	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees of the Group	26 March 2009	30 September 2009 to 29 March 2019	HK\$0.50	450,000	-	-	-	450,000

The share option scheme adopted on 20 April 2002 had been terminated on 10 August 2011. The Company had adopted the new share option scheme on 10 August 2011, and the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the share option scheme adopted on 10 August 2011:

(A) Purpose of the share option scheme

The purpose of purpose of the share option scheme is to enable the Company to grant share options to the Eligible Participants (as defined below) in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

(B) Participants of the share option scheme

The participants (the “**Eligible Participants**”) of the share option scheme shall be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

(C) Total number of shares available for issue under the share option scheme

Under the share option scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of the issued shares as at 17 August 2015, being the date of the annual general meeting of the Company refreshing the scheme mandate limit, which allowed the Directors to grant share options to subscribe for up to 169,876,994 shares of the Company, unless the Company obtains a fresh approval from the shareholders of the Company.

As at the date of this announcement, the total of 169,876,994 shares available for issue under the share option scheme, represents approximately 6.03% of the issued share capital of the Company.

(D) Maximum entitlement of each participant under the share option scheme

The maximum entitlement of each participant under the share option scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of shares of the Company in issue.

(E) The period within which the shares must be taken up under a share option

The period during which a share option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which a share option must be held before it can be exercised

As determined by the Board upon the grant of a share option.

(G) The amount payable on acceptance of a share option and the period within which payments shall be made

A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of a share option, where the grantee should accept or decline the offer of grant of a share option within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular share option granted under the share option scheme shall be a price determined by the Board in its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(I) The remaining life of the share option scheme

The share option scheme shall be valid and effective for a period of 10 years from 10 August 2011, being the adoption date, until 9 August 2021.

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

During the six months ended 30 September 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 September 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.

CHANGE IN INFORMATION OF DIRECTORS

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the annual report of the Company for the year ended 31 March 2018 are set out below:

Mr. Chan Chi Ming Tony retired as an executive director of Wan Kei Group Holdings Limited (stock code: 1718), a company listed on the Main Board of the Stock Exchange, with effect from 31 July 2018.

Mr. Ng Chi Lung resigned as a vice chairman and an executive director of Theme International Holdings Limited (stock code: 990), a company listed on the Main Board of the Stock Exchange, with effect from 31 July 2018.

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 six months ended 30 September 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 six months ended 30 September 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, 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, 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 Audit Committee has three members comprising all the independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. All of them are the independent non-executive Directors. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

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 Group's unaudited condensed consolidated results for the period under review has not been audited by the auditor of the Company, but has been 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
Ng Chi Lung
Chairman and Executive Director

Hong Kong, 13 November 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).

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

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