



**HUA XIA HEALTHCARE HOLDINGS LIMITED**

**華夏醫療集團有限公司\***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8143)

**THIRD  
QUARTERLY  
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 that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 total turnover of approximately HK\$264.242 million for the nine months ended 31 December 2018 as compared to a total turnover of approximately HK\$244.425 million recorded in the corresponding period in 2017, representing an increase of approximately 8.108%.
- Loss attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK\$22.393 million (2017: approximately HK\$2.068 million).
- Loss attributable to owners of the Company for the three months ended 31 December 2018 was approximately HK\$0.146 million (2017: profit approximately HK\$1.280 million).
- The Directors do not recommend the payment of a dividend for the nine months ended 31 December 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).

## THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Operations</b>					
Turnover	3	92,095	84,921	264,242	244,425
Cost of sales		(27,170)	(24,428)	(77,880)	(67,631)
<b>Gross profit</b>		64,925	60,493	186,362	176,794
Other loss		(106)	(344)	(577)	(186)
Other revenue and income		(15)	–	325	–
Gain on disposal of subsidiaries	8	–	–	474	–
Loss on asset to be disposal	7	–	–	(9,600)	–
Impairment loss on goodwill		–	–	(6,154)	–
Selling and distribution expenses		(45,837)	(40,631)	(129,262)	(112,779)
Administrative expenses		(17,231)	(18,700)	(60,762)	(56,261)
<b>(Loss)/profit from operations</b>		1,736	818	(19,194)	7,568
Finance costs		(410)	(363)	(1,098)	(1,320)
<b>(Loss)/profit before taxation</b>		1,326	455	(20,292)	6,248
Taxation	4	(879)	(863)	(3,876)	(5,137)

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<i>Notes</i>				
<b>(Loss)/profit for the period</b>	<b>447</b>	<b>(408)</b>	<b>(24,168)</b>	<b>1,111</b>
<b>Other comprehensive income, net of tax:</b>				
Change in fair value of equity instruments at fair value through other comprehensive income	<b>(282)</b>	–	<b>(678)</b>	–
Exchange differences arising on translating foreign operations	<b>(1,058)</b>	1,261	<b>(15,056)</b>	1,899
<b>Total comprehensive (loss)/profit for the period</b>	<b>(893)</b>	<b>853</b>	<b>(39,902)</b>	<b>3,010</b>

	<i>Notes</i>	Three months ended		Nine months ended	
		31 December		31 December	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company		(146)	(1,280)	(22,392)	(2,068)
Non-controlling interests		593	872	(1,776)	3,179
		<u>447</u>	<u>(408)</u>	<u>(24,168)</u>	<u>1,111</u>
<b>Total comprehensive (loss)/profit attributable to:</b>					
Owners of the company		(1,080)	156	(41,761)	(7,878)
Non-controlling interests		187	697	1,859	10,888
		<u>(893)</u>	<u>853</u>	<u>(39,902)</u>	<u>3,010</u>
<b>Dividends</b>	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss per share attributable to the owners of the Company</b>					
- Basic (HK cents)	6	<u>(0.005)</u>	<u>(0.055)</u>	<u>(0.768)</u>	<u>(0.088)</u>
- Diluted (HK cents)		<u>(0.005)</u>	<u>(0.055)</u>	<u>(0.768)</u>	<u>(0.088)</u>

## Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

	Attributable to owners of the Company											Non-controlling interest HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Revaluation reserve HK\$	Special reserve HK\$	Translation reserve HK\$	Share-based payment reserve HK\$	Convertible note reserve HK\$	Statutory reserve HK\$	Accumulated losses HK\$	Sub-total HK\$		
At 1 April 2017 (audited)	24,568	400,239	295,610	(754)	(6,735)	6,157	16,200	2,537	13,501	(507,790)	243,613	44,282	267,895
Loss for the period	-	-	-	-	-	-	-	-	-	(2,068)	(2,068)	3,179	1,111
Exchange difference on transaction of foreign operations	-	-	-	-	-	6,807	-	-	-	(12,617)	(5,810)	7,709	1,899
Total comprehensive loss for the period	-	-	-	-	-	6,807	-	-	-	(14,685)	(7,878)	10,888	3,010
Change in fair value of available-for-sale financial assets	-	-	-	(3,391)	-	-	-	-	-	-	(3,391)	-	(3,391)
Transfer to statutory reserve	-	-	-	-	-	-	-	2,411	-	-	2,411	-	2,411
At 31 December 2017 (unaudited)	24,568	400,239	295,610	(4,145)	(6,735)	12,964	16,200	2,537	15,912	(522,475)	234,735	55,170	289,925

	Attributable to owners of the Company											Non-controlling interest HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Revaluation reserve HK\$	Special reserve HK\$	Translation reserve HK\$	Share-based payment reserve HK\$	Statutory reserve HK\$	Accumulated losses HK\$	Sub-total HK\$		
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	-	-	-	-	(678)	-	-	-	-	-	(678)	-	(678)
Loss for the period	-	-	-	-	-	-	-	-	-	(22,392)	(22,392)	(1,776)	(24,168)
Exchange difference on translating foreign operations	-	-	-	-	-	-	(8,069)	-	-	(16,622)	(18,691)	3,635	(15,056)
Total	-	-	-	-	(678)	-	(8,069)	-	-	(33,014)	(41,761)	1,859	(39,902)
Lapse of share option	-	-	-	-	-	-	-	(16,463)	-	16,463	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(4,185)	(4,185)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,094	-	2,094	-	2,094
At 31 December 2018 (unaudited)	29,168	440,289	295,610	551	(678)	(6,735)	11,559	6	17,896	(626,840)	168,826	47,866	208,692

### Notes:

- (a) As at 31 December 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.

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

*For the three months and nine months ended 31 December 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 nine months ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial results have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the nine months ended 31 December 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**”), except for the new and revised standards, amendments and interpretations of HKFRSs (“**new and revised HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes to the 2017/18 Financial Statements. The Directors believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these unaudited condensed consolidated financial results.



### 3. Turnover

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Turnover</b>				
Provision of general hospital services	<b>92,095</b>	84,921	<b>264,242</b>	244,425

### 4. Taxation

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

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

### 5. Dividends

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

### 6. Loss per share

The calculation of basic loss per share for the three months ended 31 December 2018 was based on the loss attributable to owners of the Company of approximately HK\$0.146 million (2017: profit approximately HK\$1.280 million) and on the weighted average number of ordinary share of approximately 2,818,249,944 shares (2017: 2,358,249,944 shares).

The calculation of basic loss per share for the nine months ended 31 December 2018 was based on the net loss attributable to owners of the Company of approximately HK\$22.392 million (2017: approximately HK\$2.068 million) and on the weighted average number of ordinary shares of approximately 2,818,249,944 shares (2017: 2,358,249,944 shares).

Diluted loss per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 2018, the Company had a category of dilutive potential ordinary shares: share options. For the three months and nine months ended 31 December 2018 and 2017, the calculation of diluted earnings per share did not assumed the exercise of the convertible note existed at 31 December 2018 and 2017 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding shares options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Three months ended 31 December 2018 HK\$'000 (Unaudited)</b>	<b>Nine months ended 31 December 2018 HK\$'000 (Unaudited)</b>
Loss attributable to owners of the Company		
– Loss for the purpose of diluted earnings per share	<u>(146)</u>	<u>(22,392)</u>
Weighted average number of ordinary shares in issue	<b>2,818,249,944</b>	<b>2,818,249,944</b>
Adjustments for assumed exercise of share options	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><b>2,818,249,944</b></u>	<u><b>2,818,249,944</b></u>
	<b>Three months ended 31 December 2018</b>	<b>Nine months ended 31 December 2018</b>
– Basic (HK cents)	<u>(0.005)</u>	<u>(0.768)</u>
– Diluted (HK cents)	<u>(0.005)</u>	<u>(0.768)</u>

## 7. Disposal group

As detailed in Note 9, 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. During the nine months period ended 31 December 2018, the company recorded an impairment loss of a disposal group of approximately HK\$9,600,000.

## 8. Disposals of Subsidiaries

- (a) During the nine months periods ended 31 December 2018, the Group disposed of its entire equity interest in subsidiary Grand Motion Investments Limited to an independent third party. The disposal was completed on 26 July 2018.

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

- (b) During the nine months periods ended 31 December 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.

	HK\$'000
The consolidated net assets disposed of:	
Cash and cash equivalents	42
Property, plant and equipment	5
Other receivable	1,906
Other payables	(1,437)
Consolidated net assets disposed of:	516
Release of translation reserve upon disposal	(30)
	486
Gain on disposal of subsidiaries	414
	900
Satisfied by:	
Cash consideration	900

## 9. 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 (the “**Disposal 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 (the “**Disposal**”).

Completion of the Disposal took place on 31 January 2019 in accordance with the terms and conditions as set out in the Disposal Agreement. Upon completion, Hero Vision Enterprises Limited and its subsidiaries ceased to be subsidiaries of the Company with immediate effect.

For further details, please refer to the announcements of the Company dated 30 October 2018 and 31 January 2019.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For the nine months ended 31 December 2018 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$264.242 million (2017: approximately HK\$244.425 million), representing an increase of approximately 8.108% compared to the same period last year.

Selling and distribution expenses for the period under review amounted to approximately HK\$129.262 million (2017: approximately HK\$112.779 million), representing an increase of approximately 14.62% compared to the same period last year. More selling and distribution expenses incurred mainly due to the increase in promotional and advertising expenses during the period compared to the corresponding period in year 2017.

Administrative expenses amounted to approximately HK\$60.762 million (2017: approximately HK\$56.261 million), increased by approximately 8.00%.

The Group recorded a loss attributable to owners of the Company of approximately HK\$22.392 million for the period under review (2017: approximately HK\$2.068 million). The loss attributable to owners of the Company for the three months ended 31 December 2018 was approximately HK\$0.146 million (2017: profit attributable to owners approximately HK\$1.280 million).

### **Business Review and Outlook**

#### **General hospital services**

During the nine months ended 31 December 2018, for the Group operates four general hospitals in Chongqing, Jiaying, Zhuhai and Beijing, principally engaged in the provision of general hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The total turnover contributed by these general hospitals for the nine months ended 31 December 2018 was approximately HK\$264.242 million (2017: approximately HK\$244.425 million), representing an increase of approximately 8.108% compared to the same period last year.

## Future Prospects

The year of 2019 is very important for the healthcare in China because this is the last year before the arrival of 2020 by which time, the general levels of the medical services and care to the citizens of the country will lead the developing countries according to the plan set out a few years ago. In particular, the access to the quality and affordable healthcare services should be accomplished in 2020. Those are very ambitious targets and have been the major driving forces to improve and to expand the existing healthcare infrastructures, including hospitals, clinics and testing facilities across the country. The latest statistics indicate that both the hospital numbers and patient visits have gone up. The Company has realized that as a result, the healthcare industry shows more potential for both financial and technological investments in the country in accordance with the economic targets of the country by the end of 2020, and there is clearly more demand for quality services and diversified care models to fight the fast-increasing health issues affecting the citizens of all ages and lifestyles. As such, the management foresees more opportunities to expand our services through the general and specialized medical models and is confident that the Group is well poised to take advantage of the favorable situations in the country.

The Company's hospitals will continue to improve the quality of services and introduce the new medical technologies in the present market. At the same time, the Company has established extensive international collaboration with the world leading medical institutions and service organizations to adopt new approaches to treating acute and chronic diseases, ultimately introducing more advanced and affordable service delivery models. The Company has also focused on working with local partners to bring our clinical services, training and research to address the fast-growing medical demands from all ages of population. As always, the Group will continue to allocate more resources to seek for opportunities to further strengthen our capabilities and positions in the market by 2020.

## **Dividends**

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

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

Save as disclosed in the paragraph headed “Significant Events after the Reporting Period” below, during the period under review, the Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures.

## **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 9 to the Condensed Consolidated Statement of Comprehensive Income (Unaudited) for details.

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



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

### Disclosure of Interests

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

As at 31 December 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 (“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 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 Global Limited 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 Global Limited 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 31 December 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**

As at 31 December 2018, other than the interests of a director or chief executive of the Company as disclosed in the paragraph headed "Directors' interests and short positions in 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 (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 (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.# (西藏恒業鋒實業 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 Global Limited 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 Global Limited 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 Global Limited 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 (Hong Kong) Limited is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International (Hong Kong) Limited is 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 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 and Ms. Liu Chang are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in under 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 31 December 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 31 December 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 the Group	30 September 2009 to 29 March 2019	HK\$0.50	450,000
Total			450,000

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

During the period under review, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 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 Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

The Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2018.

## **CHANGES IN INFORMATION OF DIRECTORS**

The changes in information of Directors subsequent to the date of the interim report of the Company for the six months ended 30 September 2018 are set out below:

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.

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. Subsequently, Mr. Chan Chi Ming Tony resigned as an executive Director with effect from 22 January 2019.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the nine months ended 31 December 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 comprises three members comprising all the 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 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 risk management and internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.



The Group's unaudited condensed consolidated results for the period under review has not been audited by the auditors of the Company, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

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

Hong Kong, 11 February 2019