



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

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This announcement for which the directors of Hua Xia Healthcare Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Hua Xia Healthcare Holdings Limited. The directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purposes only

FINANCIAL SUMMARY

Summary of the results of the Group for the financial year ended 31 March 2007 is as follows:

- Turnover was approximately HK\$77.52 million, representing an increase of approximately 89% as compared to a turnover of approximately HK\$41.09 million for the previous year.
- Gross profit was approximately HK\$41.69 million, representing an increase of approximately 91% as compared to a gross profit of approximately HK\$21.81 million for the previous year.
- Net Profit attributable to equity holders was approximately HK\$5.98 million, representing an increase of profitability of approximately 87% as compared to a net profit attributable to equity holders of approximately HK\$3.19 million for the previous year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

CHAIRMAN'S STATEMENT

For and on behalf of the board of directors (the "Board") of Hua Xia Healthcare Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007.

Financial overview

Attributable to the fast economic growth and growth in demand for healthcare and hospital management services in the People's Republic of China (the "PRC"), the Group's revenue has reached a record high of approximately HK\$77.52 million for the year ended 31 March 2007, representing an increase of approximately 89% as compared to a turnover of approximately HK\$41.09 million for the previous year. Profit from operations has reached approximately HK\$9.05 million and net profit attributable to the equity holders of the Group has reached approximately HK\$5.98 million.

As we believe the potential for healthcare development in the PRC is enormous, our business development in the healthcare related sectors in the PRC is proven on the right track. In order to raise funds to enhance the Group's working capital and strengthen its capital base and financial position in furtherance of the Group's business plans, including future investments in the healthcare sector in the PRC and other business when they arise, during the past 12 months and up to the date of this report, the Company has conducted the following fund raising activities:

- (i) A private placing of 103,414,000 non-listed warrants at an issue price of HK\$0.02 per warrant as stated in the announcement of the Company dated 22 May 2006. The net proceeds of approximately HK\$1.80 million were intended to be used for general working capital of the Group. The Company has applied, as intended, approximately HK\$1.80 million towards general working capital of the Group;
- (ii) An open offer of 355,523,083 offer shares at HK\$0.08 per offer share on the basis of one offer share for every two shares held on the record date payable in full on application which has become unconditional on 12 February 2007. The net proceeds of the open offer were approximately HK\$26.44 million, of which approximately HK\$23.44 million were used, as intended, to finance investments in the healthcare sector in Hong Kong and the PRC, including but not limited to, the payment of the considerations relating to the formation of joint ventures with Town Health International Holdings Company Limited for operating dental services and beauty services as announced by the Company on 19 October 2006, partial payment of acquisition of the equity interest in Hero Vision Enterprises Limited, which in turn holds indirectly 55% equity interest in Chongqing Edward Hospital Company Limited and approximately HK\$3.0 million towards general working capital of the Group;

- (iii) A placing of 200,000,000 new shares at the issue price of HK\$0.352 per Share as stated in the announcement of the Company dated 20 March 2007. The net proceeds of approximately HK\$67.9 million were intended to be used for settlement of the subscription price for new equity interest in Hero Vision Enterprises Limited, finance future investments in the healthcare sector in the PRC and general working capital of the Group. The placing was completed on 24 April 2007. As at 17 May 2007, approximately HK\$41.0 million has been applied, as intended, as part of the consideration for the said acquisition and approximately HK\$7.0 million has been used, as intended, to finance the Group's development in the healthcare related business in the PRC. The Company intends to apply the remaining approximately HK\$19.9 million of unused proceeds for future investments in the healthcare sector in the PRC and for general working capital of the Group; and
- (iv) On 15 May 2007, the Company entered into a placing agreement with the placing agent in relation to the placing of not more than 256,000,000 shares at an issue price of HK\$0.58 per share. The net proceeds from the placing were approximately HK\$142.0 million. The Company intends to apply approximately HK\$137.0 million of the net proceeds for future investments in the healthcare sector in the PRC and approximately HK\$5.0 million for general working capital of the Group. The placing was completed on 28 May 2007.

Operation overview

In the year of 2006 and up to the date of this report, the Group endeavored to push ahead on the new strategy by transforming the Group from the core business of environmental protection services to the provision of healthcare and hospital management services in the PRC. In addition, the Group intended to seek possible future investments in or co-operations with hospitals in the PRC (including but not limited to taking the equity interests in hospitals in the PRC which we believe will have growth potential) and to consider undertaking those businesses which are complimentary to the existing business as a further step to the acquisition in order to benefit from the healthcare sector and enhance shareholders returns in the long-run.

On 12 July 2006, the Board has passed the special resolution at the extraordinary general meeting to approve the change of Company's name from "Grandy Corporation" to "Hua Xia Healthcare Holdings Limited." The change of name has marked the milestone for the Group's business development in the healthcare and hospital management services in the PRC.

On 12 July 2006, the Company announced the entering into of a non-legally binding letter of intent with Ms. Zhuang Yan Qiu for the proposed acquisition of equity interest in a hospital located in Shanghai, the PRC. Such letter of intent had lapsed on 31 March 2007, as no legally-binding formal agreement had been reached between the parties thereto and the earnest money has been refunded to the Company in full in April 2007.

On 19 October 2006, the Company jointly announced with Town Health International Holdings Company Limited that the Company entered into the non-legally binding letter of intent with an objective to leveraging the resources and expertise of Town Health International Holdings Company Limited for cooperative development in the medical and healthcare related business in the PRC. A formal agreement between the Company and Town Health International Holdings Company Limited on cooperation of setting up a joint venture company for the provision of dental care services has been entered into on 5 January 2007 and the Company has injected approximately HK\$3.0 million as working capital for the joint venture company on 2 April 2007.

On 24 November 2006, the Group has completed the acquisition of Day View Group Limited. Day View Group Limited and its subsidiaries, including Shanghai Humanity Hospital Management Company Limited, are principally engaged in the business of healthcare management and training and consultancy for hospitals in the PRC, which include advising on management strategies, operation and business model, logistics and procurement, workflow and human resources, market strategies and providing training and administrative support.

On 24 November 2006, the Company entered into a non-legally binding letter of intent with Mr. Lin Guo Xiong and Fuzhou Taijing Hospital Company Limited for the proposed acquisition of equity interest in a hospital in Fuzhou, the PRC, the long-stop date of such letter of intent had been extended to 30 June 2007 by mutual agreement of the parties thereto, as additional time is required for negotiation on the terms of the proposed acquisition.

On 13 March 2007, a wholly-owned subsidiary of the Company, Wisdom Rise Group Limited, entered into an agreement with an independent third party to acquire the entire issued share capital of Hero Vision Enterprises Limited which indirectly holds a 55% equity interest of Chongqing Edward Hospital Company Limited, a privately-run hospital established in Chongqing, the PRC. The acquisition was made in furtherance of the business plan of the Group in developing its presence in the healthcare sector in the PRC. The total consideration amounted to approximately HK\$157.30 million. The acquisition was completed on 9 May 2007 and Chongqing Edward Hospital Company Limited has become a subsidiary of the Group.

On 24 April 2007, the Company entered into a letter of intent with an independent third party in relation to the proposed acquisition of whole or part of the equity interests in Karise Development Limited. Karise Development will indirectly be interested in Beijing Wuzhou Female Hospital upon completion of the reorganization. Beijing Wuzhou Female Hospital is a privately-run hospital established in the PRC which provides general hospital services including cosmetic surgery, obstetrics and gynaecology, otolaryngology, stomatology, oncology and Chinese herbal medicine treatment etc. in Beijing, the PRC. The long-stop date of such letter of intent will be expired on 30 June 2007.

The year under review is a year full of developments within the Group. Our Group has been deploying resources effectively in launching new products and services, identifying new business partners as well as other investment opportunities aiming at improving both the Group's earning base and asset base.

APPRECIATION

I would like to thank our management team and all our staff for their untiring efforts and significant contribution during the past year. I would also like to take this opportunity to express my sincere gratitude and appreciation to all our fellow shareholders and institutional investors for their continuous support and confidence in our Group.

Yung Kwok Leong

Chairman

Hong Kong, 26 June 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	7	77,521	41,088
Cost of sales		(35,831)	(19,281)
Gross profit		41,690	21,807
Other revenue	7	586	40
Other income	8	–	3,465
Selling and distribution expenses		(1,202)	(1,986)
Administrative expenses		(30,069)	(18,408)
Impairment loss on goodwill		(1,893)	–
Provision for impairment on trade and other receivables		(67)	(964)
Profit from operations		9,045	3,954
Finance costs		(949)	(299)
Profit before taxation		8,096	3,655
Taxation	9	(1,227)	(561)
Profit for the year		6,869	3,094
Attributable to:			
Equity holders of the Company		5,981	3,191
Minority interest		888	(97)
		6,869	3,094
Dividends	12	–	–
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	11	HK 0.93 cents	HK 0.73 cents
– diluted	11	HK 0.71 cents	HK 0.63 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Note</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		14,654	14,585
Available-for-sale investments		143	138
Goodwill		47,372	1,893
		<hr/>	<hr/>
		62,169	16,616
		<hr/>	<hr/>
Current assets			
Inventories		3,897	3,250
Trade and other receivables	4	77,104	30,211
Pledged bank deposits		5,048	93
Cash and bank balances		24,758	8,992
		<hr/>	<hr/>
		110,807	42,546
		<hr/>	<hr/>
Total assets		172,976	59,162
		<hr/> <hr/>	<hr/> <hr/>
Equity:			
Capital and reserves attributable to the Company's equity holders			
Share capital		54,105	17,247
Reserves		77,201	13,735
		<hr/>	<hr/>
		131,306	30,982
Minority interests		3,421	36
		<hr/>	<hr/>
Total equity		134,727	31,018
		<hr/>	<hr/>

		2007	2006
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Current liabilities			
Trade and other payables	6	12,338	9,591
Obligations under finance lease due within one year		297	111
Amounts due to directors		736	655
Amount due to minority shareholders		15,323	160
Secured short-term bank loan		6,000	–
Tax payable		1,227	568
		<u>35,921</u>	<u>11,085</u>
Long-term liabilities			
Convertible notes		2,328	16,762
Obligations under finance lease due after one year		–	297
		<u>2,328</u>	<u>17,059</u>
Total liabilities		<u>38,249</u>	<u>28,144</u>
Total equity and liabilities		<u>172,976</u>	<u>59,162</u>
Net current assets		<u>74,886</u>	<u>31,461</u>
Total assets less current liabilities		<u>137,055</u>	<u>48,077</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2007

Attributable to the equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000 (Note (d))	Special reserve HK\$'000 (Note (a))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible notes reserves HK\$'000	Statutory enterprise expansion fund HK\$'000 (Note (c))	Statutory surplus reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Total equity at 31 March 2005 and 1 April 2005, as restated	13,904	56,022	-	2,935	355	-	-	-	-	(54,220)	133	19,129
Exchange difference on translation of financial statements of overseas	-	-	-	-	98	-	-	-	-	-	-	98
Net income recognised directly in equity	-	-	-	-	98	-	-	-	-	-	-	98
Net profit for the year	-	-	-	-	-	-	-	-	-	3,191	(97)	3,094
Total income for the year	-	-	-	-	98	-	-	-	-	3,191	(97)	3,192
Issue of shares	2,780	-	-	-	-	-	-	-	-	-	-	2,780
Premium arising on issue shares	-	4,448	-	-	-	-	-	-	-	-	-	4,448
Issuing expenses	-	(627)	-	-	-	-	-	-	-	-	-	(627)
Share-based payment expenses	-	-	-	-	-	449	-	-	-	-	-	449
Exercise of share options	563	336	-	-	-	(336)	-	-	-	-	-	563
Premium arising on exercise of share options	-	585	-	-	-	-	-	-	-	-	-	585
Equity component of convertible notes	-	-	-	-	-	-	499	-	-	-	-	499
Transfer to reserve	-	-	-	-	-	-	-	37	37	(74)	-	-
Total equity at 31 March 2006 and 1 April 2006	17,247	60,764	-	2,935	453	113	499	37	37	(51,103)	36	31,018
Exchange difference on translation of financial statements of overseas	-	-	-	-	1,154	-	-	-	-	-	-	1,154
Net income recognised directly in equity	-	-	-	-	1,154	-	-	-	-	-	-	1,154
Profit for the year	-	-	-	-	-	-	-	-	-	5,981	888	6,869
Total income for the year	-	-	-	-	1,154	-	-	-	-	5,981	888	8,023
Issue of shares	24,076	81,226	-	-	-	-	-	-	-	-	-	105,302
Rights issues	8,623	1,725	-	-	-	-	-	-	-	-	-	10,348
Issuing expenses	-	(2,753)	-	-	-	-	-	-	-	-	-	(2,753)
Share-based payment expenses	-	-	-	-	-	5,000	-	-	-	-	-	5,000
Exercise of share options	242	141	-	-	-	-	-	-	-	-	-	383
Transfer to share premium upon exercise of share options	-	113	-	-	-	(113)	-	-	-	-	-	-
Conversion of convertible notes	3,917	11,165	-	-	-	-	(430)	-	-	-	-	14,652
Issue of warrants	-	-	2,068	-	-	-	-	-	-	-	-	2,068
Issuing expenses of warrants	-	-	(231)	-	-	-	-	-	-	-	-	(231)
Increase in minority interest resulting from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,497	2,497
Special reserve arise on acquisition of a subsidiary	-	-	-	(41,580)	-	-	-	-	-	-	-	(41,580)
Transfer to reserve	-	-	-	-	-	-	-	112	112	(224)	-	-
Total equity at 31 March 2007	54,105	152,381	1,837	(38,645)	1,607	5,000	69	149	149	(45,346)	3,421	134,727

Notes:

- (a) The special reserve amounting to approximately HK\$2,935,000 of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

The decrease in special reserve amounting to approximately HK\$41,580,000 of the Group during the year represents the difference between the consideration paid and the goodwill and the carrying values of the underlying assets and liabilities attributable to the interest in a subsidiary acquired during the year.

- (b) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its net 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 of directors and by the relevant authority, to offset accumulated losses or increase capital.
- (c) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall appropriate 5% to 10% of its net profit after taxation as the statutory enterprise expansion fund. The directors shall have discretion in determining the percentage within the range specified by the relevant PRC laws and regulations.
- (d) On 18 May 2006, the Company entered into conditional warrant placing agreements with two independent third parties, Triumph Sky Finance Limited and Happy Woodstock Limited, to issue 103,414,000 warrants at a price of HK\$0.02 per warrant for cash consideration by way of a private placement. Each warrant entitles the holder to subscribe for one ordinary share of the Company at an initial subscription price of HK\$0.62 (subject to adjustment) from the date of issue to 4 December 2007. Any ordinary shares falling to be issued upon the exercise of the subscription right to the warrants will rank pari passu in all respects with the existing fully paid ordinary shares of the Company on the relevant subscription date. No warrant was exercised during the year ended 31 March 2007.

NOTES TO FINANCIAL STATEMENTS

31 March 2007

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 the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of healthcare and hospital management services in the PRC, manufacture and sales of environmental protection products as well as provision of related services, manufacture and sales of melamine and its related products.

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

In the current year, the Group has applied, for the first time, a number of new standards amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that affected the amounts reported for the current or prior accounting periods:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

The revised HKAS 39 has been applied retrospectively to financial guarantees existing as at 1 January 2005. The effects of adoption on the balance sheet of the Company at 31 March 2007 and 2006 are as follows:

	2007	2006
	HK\$'000	HK\$'000
Increase in investment in subsidiaries	4,280	–
Increase in financial guarantee contracts	(4,280)	–
	<u>–</u>	<u>–</u>

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC) – Int 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 March 2006

⁴ Effective for annual periods beginning on or after 1 May 2006

⁵ Effective for annual periods beginning on or after 1 June 2006

⁶ Effective for annual periods beginning on or after 1 November 2006

⁷ Effective for annual periods beginning on or after 1 March 2007

⁸ Effective for annual periods beginning on or after 1 January 2008

3. GEOGRAPHICAL AND BUSINESS SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Geographical segments

The Group's operations are located in Hong Kong, Mainland China (the "PRC") and Korea, representing the basis on which the Group reports its primary segment information. The following table provides an analysis of the Group's geographical segment information.

	Turnover		Results	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,938	12,614	(244)	5,812
PRC	53,666	12,919	31,640	8,211
Korea	21,917	15,555	7,132	8,299
	77,521	41,088	38,528	22,322
Unallocated other revenue			586	40
Unallocated corporate expenses			(30,069)	(18,408)
Profit from operations			9,045	3,954
Finance costs			(949)	(299)
Profit before taxation			8,096	3,655
Taxation			(1,227)	(561)
Profit for the year			6,869	3,094

Balance sheet

	Segment assets		Segment liabilities	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	25,251	27,079	17,426	3,976
PRC	68,169	18,102	9,014	3,686
Singapore	–	–	200	200
Korea	2,378	3,003	2,156	3,112
	95,798	48,184	28,796	10,974
Unallocated	77,178	10,978	9,453	17,170
	172,976	59,162	38,249	28,144

Other information

	Capital additions		Depreciation and amortisation	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	120	990	348	571
PRC	2,683	12,216	1,523	496
Korea	270	479	391	560
	<u>3,073</u>	<u>13,685</u>	<u>2,262</u>	<u>1,627</u>
	Loss on disposal of property, plant and equipment		Provision for impairment of trade and other receivables	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	317	13	67	207
Korea	–	–	–	757
	<u>317</u>	<u>13</u>	<u>67</u>	<u>964</u>

Business segments

The Group is engaged in: (1) environmental and environmental-related businesses including (i) installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services, (ii) the manufacture and sales of environmental protection products; (2) manufacture and sales of melamine and its related products; (3) provision of healthcare and hospital management services.

	Manufacture and sales of environmental protection products		Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services		Manufacture and sale of melamine and its related products		Provision of healthcare and hospital management services		Unallocated		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue	<u>640</u>	<u>8,682</u>	<u>21,917</u>	<u>25,164</u>	<u>21,907</u>	<u>7,242</u>	<u>33,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,521</u>	<u>41,088</u>
Segment assets	<u>707</u>	<u>2,604</u>	<u>10,281</u>	<u>20,819</u>	<u>48,962</u>	<u>19,286</u>	<u>34,528</u>	<u>-</u>	<u>78,498</u>	<u>16,453</u>	<u>172,976</u>	<u>59,162</u>
Capital additions	<u>-</u>	<u>501</u>	<u>270</u>	<u>479</u>	<u>959</u>	<u>12,216</u>	<u>1,724</u>	<u>-</u>	<u>120</u>	<u>489</u>	<u>3,073</u>	<u>13,685</u>

4. TRADE AND OTHER RECEIVABLES

	2007 HK\$'000	2006 HK\$'000
Trade receivables	22,894	15,538
Deposits made to suppliers	22,392	267
Deposits paid under a non-legally binding memorandum of understanding	-	10,000
Deposit paid under a conditional sale and purchase agreement	11,250	-
Deposits paid	19,489	1,409
Prepayments	517	1,554
Other receivables	562	1,443
	<u>77,104</u>	<u>30,211</u>

Payment terms with customers are mainly on credit together with deposits and receivable by instalment basis. Invoices are normally payable from 30 to 90 days of issuance, except for certain well established customers and receivables by instalment basis where it is normally payable from 1 to 2 years of issuance. The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 90 days	19,981	11,403
91 to 180 days	1,201	427
181 to 365 days	–	1,287
Over 365 days	2,703	5,987
	23,885	19,104
<i>Less: Provision for impairment losses of trade receivables (Notes (b))</i>	(991)	(3,566)
	22,894	15,538

Notes:

- (a) The carrying amounts of trade receivables approximate to their fair values.
- (b) The movements in provision for impairment losses of trade receivables were as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2006/2005	3,566	2,602
Bad debt written off	(2,642)	–
Provision for impairment losses for the year	67	964
At 31 March 2007/2006	991	3,566

5. RESERVES

The Company

	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	56,022	–	–	1,452	–	(71,787)	(14,313)
Premium arising on issue of shares	4,448	–	–	–	–	–	4,448
Issuing expenses	(627)	–	–	–	–	–	(627)
Share-based payment expenses	–	449	–	–	–	–	449
Exercise of share options	336	(336)	–	–	–	–	–
Premium arising on exercise of share options	585	–	–	–	–	–	585
Equity component of convertible notes	–	–	–	–	499	–	499
Loss for the year	–	–	–	–	–	(25,535)	(25,535)
At 31 March 2006 and 1 April 2006	60,764	113	–	1,452	499	(97,322)	(34,494)
Premium arising on issue of shares	81,226	–	–	–	–	–	81,226
Premium arising on rights issue	1,725	–	–	–	–	–	1,725
Issuing expenses	(2,753)	–	–	–	–	–	(2,753)
Share-based payment expenses	–	5,000	–	–	–	–	5,000
Premium arising on exercise of share options	141	–	–	–	–	–	141
Transfer to share premium upon exercise of share options	113	(113)	–	–	–	–	–
Conversion of convertible notes	11,165	–	–	–	(430)	–	10,735
Issue of warrants	–	–	1,837	–	–	–	1,837
Loss for the year	–	–	–	–	–	(9,384)	(9,384)
At March 2007	152,381	5,000	1,837	1,452	69	(106,706)	54,033

- (a) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2001 and the nominal amount of the Company's shares issued for the acquisition.

- (b) On 18 May 2006, the Company entered into conditional warrant placing agreements with two independent third parties, Triumph Sky Finance Limited and Happy Woodstock Limited, to issue 103,414,000 warrants at a price of HK\$0.02 per warrant for cash consideration by way of a private placement. Each warrant entitles the holder to subscribe for one ordinary share of the Company at an initial subscription price of HK\$0.62 (subject to adjustment) from the date of issue to 4 December 2007. Any ordinary shares falling to be issued upon the exercise of the subscription right to the warrants will rank pari passu in all respects with the existing fully paid ordinary shares of the Company on the relevant subscription date. No warrant was exercised during the year ended 31 March 2007.

6. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables	3,747	4,757
Value-added tax payables	2,597	432
Other payables	5,994	4,402
	<u>12,338</u>	<u>9,591</u>

The following is an aged analysis of trade payables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Age		
0 to 90 days	2,151	4,333
91 to 180 days	407	68
181 to 365 days	784	5
Over 365 days	405	351
	<u>3,747</u>	<u>4,757</u>

Note: The carrying amounts of trade payables approximate to their fair values.

7. TURNOVER AND REVENUE

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the installation of environmental analyses and measurement services, the sale of environmental protection products, provision of related services and manufacture of melamine and its related products and provision of healthcare and hospital management services. An analysis of the Group's turnover and other revenue is as follows:–

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:		
Manufacture and sales of environmental protection products	640	8,682
Manufacture and sales of melamine and its related products	21,907	7,242
Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services	21,917	25,164
Provision of healthcare and hospital management services	33,057	–
	<hr/> 77,521 <hr/>	<hr/> 41,088 <hr/>
Other revenue:		
Interest income	503	35
Sundry income	83	5
	<hr/> 586 <hr/>	<hr/> 40 <hr/>
	<hr/> 78,107 <hr/>	<hr/> 41,128 <hr/>

8. PROFIT FROM OPERATIONS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration	2,269	337
Other staff's retirement benefits scheme contributions	490	910
Other staff costs	10,930	9,695
	<u>13,689</u>	<u>10,942</u>
Auditors' remuneration	580	341
Provision for impairment on trade and other receivables	67	964
Provision for obsolete inventories	66	–
Cost of goods sold	33,021	11,542
Depreciation of property, plant and equipment		
– owned by the Group	2,164	1,586
– held under finance leases	98	41
Loss on disposal of property, plant and equipment	317	13
Operating lease rentals in respect of land and buildings	1,235	925
Development costs	–	1,108
	<u>–</u>	<u>1,108</u>
and after crediting:		
Other income:		
Bad debt recovered	–	916
Reversal of provision of obsolete inventories	–	254
Reversal of trade payables	–	2,285
Net exchange gain	–	10
	<u>–</u>	<u>3,465</u>

9. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a taxation loss for the year. Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Provision for the year – PRC	1,227	574
Over provision in previous year – Hong Kong	–	(13)
	<u>1,227</u>	<u>561</u>

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 March 2007, net loss of approximately HK\$9,384,000 (2006: HK\$25,535,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of approximately HK\$5,981,000 (2006: HK\$3,191,000) and the weighted average number of 639,693,935 (2006: 438,751,909) shares in issue during the year.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: convertible notes, warrants and share options.

The convertible notes and warrants are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expenses of convertible notes less the tax effect.

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 share 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.

	2007	2006
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	5,981	3,191
Interest expense on convertible notes (net of tax)	514	203
	<hr/>	<hr/>
Profit used to determine diluted earnings per share	6,495	3,394
	<hr/> <hr/>	<hr/> <hr/>
	2007	2006
Weighted average number of ordinary shares in issue	639,693,935	438,751,909
Adjustments for assumed exercise of share options	157,609,072	1,544,406
Adjustments for assumed exercise of warrants	103,414,000	–
Adjustments for assumed conversion of convertible notes	15,527,950	96,716,418
	<hr/>	<hr/>
Weighted average number of ordinary shares of diluted earnings per share	916,244,957	537,012,733
	<hr/> <hr/>	<hr/> <hr/>
	2007	2006
Diluted earnings per share	HK0.71 cents	HK0.63 cents
	<hr/> <hr/>	<hr/> <hr/>

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of healthcare and hospital management services in the PRC. In addition, it is engaged in the manufacture and sales of environmental protection products as well as provision of related services, manufacture and sales of melamine and its related products.

Results of the Group for the year ended 31 March 2007 have shown improvement in turnover compared with the previous year. Turnover of the Group for the year was approximately HK\$77.52 million in comparison with HK\$41.09 million in 2006, representing an increase of approximately 89%. Profit from operations was approximately HK\$9.05 million in comparison with HK\$3.95 million in 2006, representing an increase of approximately 129%. Net profit attributable to equity holders for the year ended 31 March 2007 was HK\$5.98 million in comparison with a net profit of HK\$3.19 million in 2006, representing an increase of profitability of approximately 87%.

The improvement in revenue for the year ended 31 March 2007 was mainly driven by the contribution in turnover by the manufacture and sales of melamine and its related products and provision of hospital management services in the PRC. The turnover of these new lines of products and services represented approximately HK\$54.96 million equivalent to approximately 70% of the Group's turnover for the year ended 31 March 2007.

Selling and distribution expenses for the year ended 31 March 2007 decreased by approximately 40% to approximately HK\$1.20 million as compared to approximately HK\$1.99 million for the corresponding period last year. The decrease was mainly attributable to the decrease in commission expenses associated with the sales of energy saving products.

Administrative expenses for the year ended 31 March 2007 amounted to approximately HK\$30.07 million (2006: HK\$18.41 million), representing an increase of approximately 63%. The increase was mainly due to the recognition of equity-settled share base payment of approximately HK\$5.0 million (2006: Nil) in respect of the share options granted during the year. Adjusted for this non-cash flow expense, the administrative expenses increased by approximately 36% as a result of increase in professional expenses incurred for the rights issue and open offer, the acquisition of Day View Group Limited, and increase in the travelling expenses.

Business Review and Outlook

Waste water treatment businesses

The Group's waste water treatment businesses for government and commercial projects are mainly carried out through Youngdong Environmental Engineering Co., Ltd. ("Youngdong") in Korea. Youngdong's turnover for the year ended 31 March 2007 totalled approximately HK\$21.92 million (2006: HK\$15.55 million).

The Group also provides cleansing and ancillary services to both public and private housing in Hong Kong for cleansing of fresh and flush roof tanks, sump tanks and water tanks. The turnover for this division of business for the year ended 31 March 2007 recorded approximately HK\$0.48 million (2006: HK\$0.89 million). The Group has terminated this division of business since January 2007 due to the decrease of profitability.

Energy saving products and enzyme treatments

The Group's energy saving and enzyme treatment divisions recorded a total turnover of approximately HK\$0.16 million for the year ended 31 March 2007 (2006: HK\$6.77 million). The significant decrease in turnover was due to the fall in demand for the products. The Group has subcontracted these divisions of business to a local company in Hong Kong since April 2006.

Manufacture and sales of melamine and its related products

The Group manufactures and sells the melamine materials through its wholly-owned subsidiary, Prime Source (Fujian) Chemical Co. Ltd., in the Fujian Province, the PRC. Melamine materials are raw materials used in the manufacture of household products which are widely used in environmental conscious countries and are durable, non-toxic and easy to be processed. The Group also trades the household products made from the environmental friendly melamine materials which are widely used in environmental conscious countries. The total turnover recorded in the sales of melamine materials and environmental friendly household products for the year ended 31 March 2007 was approximately HK\$21.91 million (2006: HK\$12.20 million).

Environmental protection consultancy and management services for hospitals

Since October 2005, the Group has entered into the service agreements with hospitals in the PRC to provide professional consulting services in the areas of environmental protection such as energy saving, waste water treatments, and improvement on the hospitals' air and water quality. The turnover recorded in these services for the year ended 31 March 2007 was approximately HK\$2.0 million (2006: HK\$2.58 million).

In addition to rendering environmental protection services for hospitals, the Group subcontracts its services to a hospital management company in the PRC to provide hospital management services. The turnover recorded in these services for the year ended 31 March 2007 was approximately HK\$23.0 million (2006: HK\$3.10 million).

On 24 November 2006, the Group has completed the acquisition of Day View Group Limited. Day View Group Limited and its subsidiaries, including Shanghai Humanity Hospital Management Company Limited, are principally engaged in the business of healthcare management and training and consultancy for hospitals in the PRC, which include advising on management strategies, operation and business model, logistics and procurement, workflow and human resources, market strategies and providing training and administrative support. The turnover contributed by the Day View Group Limited and its subsidiaries in these services for the year ended 31 March 2007 was approximately HK\$8.06 million (2006: Nil).

Future Prospects

Under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the Directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future.

The Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) and to consider undertaking those businesses which are complimentary to the existing business as a further step to the acquisition in order to benefit from the growth in the healthcare sector and enhance shareholders' returns in the long-run.

Liquidity and financial resources

The Group had total cash and bank balances of approximately HK\$24.76 million as at 31 March 2007 (2006: HK\$8.99 million). The increase in cash and bank balances were mostly due to the completion of the open offer in February 2007 which raised in aggregate approximately HK\$28.44 million for the Company. During the year, the Group paid approximately HK\$20.00 million as cash consideration for the acquisition of 76% issued share capital of Day View Group Limited.

The Group recorded total current assets of approximately HK\$110.81 million as at 31 March 2007 (2006: HK\$42.55 million) and total current liabilities of approximately HK\$35.92 million as at 31 March 2007 (2006: HK\$11.09 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.09 as at 31 March 2007 (2006: 3.84).

ACQUISITION OF A SUBSIDIARY

During the year, the Group has acquired 76% issued share capital of Day View Group Limited which engages principally in the business of healthcare management and training and consultancy for hospitals located in the PRC. The total consideration of the acquisition comprising a combination of cash and shares of the Company was HK\$96.86 million. Completion of this acquisition took place on 24 November 2006.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group had no material contingent liabilities (2006: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year, the Group experienced exchange rate fluctuations as the functional currencies of the Group's operations were mainly in Hong Kong dollars, Korean Won and Renminbi. As the risk on exchange rate difference was considered to be stable, the Group did not employ any financial instrument for hedging purposes.

CHARGES ON GROUP ASSETS

Certain time deposits of the Group of HK\$5.05 million have been pledged to banks to secure banking facilities and short-term bank loan granted to the Group. Secured short-term bank loan in the amount of HK\$6.0 million was drawn down during the year.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from the manufacture, sales and consultancy of environmental protection products and services, and provision of healthcare and management services. Geographically, the Group has expanded business operations into Shanghai, the PRC in November 2006 through the acquisition of the non-wholly owned subsidiary, Day View Group Limited. Financial information in respect of these operations is presented in note 3.

CAPITAL STRUCTURE

As at 31 March 2006, the total issued share capital of the Company was HK\$17,246,517 divided into 344,930,333 ordinary shares of HK\$0.05 each.

On 19 April 2006, the Company completed to issue 172,465,166 new ordinary shares by way of a rights issue on the basis of one rights share for every two existing shares of HK\$0.05 each at a subscription price of HK\$0.06.

On 19 April and 25 April 2006 respectively, 4,848,750 share options were exercised and 4,848,750 shares were issued and allotted.

On 12 July, 20 July and 16 October 2006, 11 January and 19 March 2007 respectively, a total of HK\$15.50 million unlisted convertible notes had been converted into a total of 78,329,868 shares.

Pursuant to the acquisition of Day View Group Limited become unconditional on 21 November 2006, the Company allotted and issued 126,000,000 consideration shares to Mr. Wu Wendong, the ultimate controlling shareholder of Day View Group Limited.

On 14 February 2007, the Company completed to issue 355,523,083 new ordinary shares by way of the open offer on the basis of one offer share for every two existing shares of HK\$0.05 each at a subscription price of HK\$0.08 per offer share.

At at 31 March 2007, the total issued share capital of the Company was HK\$54,104,860 divided into 1,082,097,200 ordinary shares of HK\$0.05 each.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

EMPLOYEE INFORMATION

As at 31 March 2007, the Group had 156 (2006: 156) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	15
Fujian	94
Shanghai	17
Korea	30

For the year ended 31 March 2007, staff costs (including directors emoluments) amounted to approximately HK\$13.69 million (2006: HK\$10.94 million). The increase of staff costs was due to the increase in salaries and allowances and the share-based payment during the year. The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option scheme to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Subject to the deviations as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximise the interests of shareholders during the year under review.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as 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 year ended 31 March 2007.

Board of Directors and Board Meeting

The Board members for the year ended 31 March 2007 and up to date of this report were:

Executive directors:

Mr. Yung Kwok Leong (*Chairman*)

Mr. Chan Hon Chiu (Resigned on 1 April 2006)

Mr. Yeung Kam Yan (Resigned on 25 April 2006)

Ms. Shum Ngai Pan (*the chief executive officer*) (Appointed on 25 April 2006)

Mr. Chen Jin Shan (Appointed on 25 April 2006)

Mr. Weng Jiaying (Appointed on 25 April 2006)

Dr. Jiang Tao (Appointed on 3 January 2007)

Non-executive director:

Dr. Wong Yu Man, James (Appointed on 20 March 2007)

Independent non-executive directors:

Mr. Chan Francis Ping Kuen

Mr. Hsu William Shiu Foo

Prof. Yu Chai Mei

The Board is currently composed of five executive directors (including the Chairman), one non-executive director and three independent non-executive directors with a balance of skills and experience appropriate for the requirements of the Group. The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transaction, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the Chairman of the Board and the other directors are set out on the Company's 2006/2007 Annual Report. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position as to carry out his or her duties effectively and efficiently. Mr. Yung Kwok Leong is the Chairman of the Board and an executive director of the Company. There is no relationship among the members of the Board.

The Company appointed three independent non-executive directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. All of them have been appointed as independent non-executive directors for a term of one year commencing 27 September 2004 and 10 May 2002 respectively and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association, provided that the

appointment may be terminated by the Company or the independent non-executive director with a written notice of not less than one month unless both parties agree otherwise. Every director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The roles of the Chairman and chief executive officer are segregated and are not exercised by the same individual, the chairman is responsible for leading the Board in formulating overall strategies of the Company, while the chief executive officer is to manage the Group's business.

The Board held a regular board meeting for each quarter to consider and approve the Group's results announcement.

Details of the attendance of the meetings of the Board for the year ended 31 March 2007 and up to the date of this report were as follows:

Directors	Attendance
Mr. Yung Kwok Leong (<i>Chairman</i>)	1/4
Mr. Chan Francis Ping Kuen	3/4
Mr. Hsu William Shiu Foo	3/4
Prof. Yu Chai Mei	3/4
Mr. Chan Hon Chiu	(Resigned on 1 April 2006) 0/4
Mr. Yeung Kam Yan	(Resigned on 25 April 2006) 0/4
Ms. Shum Ngai Pan (<i>the chief executive officer</i>)	(Appointed on 25 April 2006) 2/4
Mr. Chen Jin Shan	(Appointed on 25 April 2006) 0/4
Mr. Weng Jiaxing	(Appointed on 25 April 2006) 0/4
Dr. Jiang Tao	(Appointed on 3 January 2007) 1/4
Dr. Wong Yu Man, James	(Appointed on 20 March 2007) 0/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Remuneration of Directors

The remuneration committee was established on 3 June 2005 in compliance with the code provision. The chairman of the committee is Mr. Chan Francis Ping Kuen, and other members include Mr. Hsu William Shiu Foo and Prof. Yu Chai Mei, all of them are the independent non-executive directors of the Company.

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.

During the year, no meeting was held but resolutions in writing from the remuneration committee members were passed to consider and approve the emoluments of the new executive directors and non-executive director.

Nomination of Directors

No nomination committee was established by the Company.

The Board is empowered under the Company's Bye Laws to appoint any person as a director either to fill a casual vacancy or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

However, the Board will consider the formation of the nomination committee as and when appropriate.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors. During the year under review, the Group is required to pay an aggregate of approximately HK\$0.58 million (2006: HK\$0.40 million) to the external auditors for their services in audit. In addition, the Company was required to pay an aggregate of approximately HK\$0.53 million to the external auditors for their works in connection with the acquisition of Day View Group Limited and open offer during the year.

Audit Committee

The Company established an audit committee on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual reports and accounts, half-year reports, quarterly reports and give advice and comments thereon to the directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises three members, including Mr. Chan Francis Ping Kuen, Mr. Hsu William Shiu Foo and Prof. Yu Chai Mei. All of them are the independent non-executive directors. The chairman of the audit committee is Mr. Chan Francis Ping Kuen.

The audit committee held four meetings during the year under review. Details of the attendance of the audit committee meetings for the year ended 31 March 2007 and up to the date of this report were as follows:

Members	Attendance
Mr. Chan Francis Ping Kuen	3/4
Mr. Hsu William Shiu Foo	3/4
Prof. Yu Chai Mei	3/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Internal Control

The Board is responsible for maintaining the Group's internal control and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed.

In consideration of the size of the Group, the Board does not consider to establish an internal audit team at present. However, the key control procedure established by the Group is a day-to-day supervision of the business by the executive directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal control described below have been in place throughout the year under review:

- procedures for the approval of capital expenditure and payments;
- regular financial information provided to management for reviewing the Group's performance;
- clearly defined management structure and lines of responsibility.

Respective responsibilities of Directors and Auditors

The directors are responsible for the preparation of the financial statements, which give a true and fair view. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and report the opinion solely to the shareholders of the Company.

As at the date of this announcement, the executive directors are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan, Mr. Weng Jiaxing and Mr. Jiang Tao. The non-executive director is Dr. Wong Yu Man, James. The independent non-executive directors are Mr. Chan Francis Ping Kuen, Mr. Hsu William Shiu Foo and Mr. Yu Chai Mei.

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com and website of the Company at www.huaxia-healthcare.com for at least 7 days from the date of its posting.