



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)



* For identification purpose only

Interim Report 2007/08

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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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$66,082,000 for the six months ended 30 September 2007 as compared to a total turnover of approximately HK\$39,688,000 recorded in the corresponding period in 2006, representing an increase of approximately 67%.
- The Group has recorded a net profit attributable to equity holders for the six months ended 30 September 2007 of approximately HK\$14,452,000 as compared to a net profit attributable to equity holders of approximately HK\$7,286,000 recorded in the corresponding period in 2006.
- The basic and diluted earnings per share of the Company for the six months ended 30 September 2007 were approximately HK0.92 cents and HK0.74 cents respectively (2006: approximately HK1.35 cents and HK1.05 cents respectively).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

CONSOLIDATED INTERIM RESULTS (UNAUDITED)

The board (the “Board”) of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

Unaudited Consolidated Income Statements

For the three months and six months ended 30 September 2007

	Notes	Three months ended 30 September		Six months ended 30 September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
TURNOVER					
Cost of sales	3&4	35,169 (10,708)	20,724 (11,050)	66,082 (20,896)	39,688 (18,706)
Gross profit		24,461	9,674	45,186	20,982
Other income		1,049	91	1,757	303
Selling and distribution costs		(3,237)	(207)	(4,964)	(432)
Administrative expenses		(9,578)	(7,298)	(19,475)	(12,874)
PROFIT FROM OPERATIONS	5	12,695	2,260	22,504	7,979
Finance costs	6	(216)	(134)	(359)	(363)
PROFIT BEFORE TAXATION		12,479	2,126	22,145	7,616
Taxation	7	(2,173)	(172)	(2,998)	(483)
PROFIT FOR THE PERIOD		10,306	1,954	19,147	7,133
Attributable to:					
Equity holders of the Company		8,048	2,084	14,452	7,286
Minority interests		2,258	(130)	4,695	(153)
		10,306	1,954	19,147	7,133
DIVIDENDS	13	-	-	-	-
EARNINGS PER SHARE	8				
- Basic (cents)		0.56	0.37	0.92	1.35
- Diluted (cents)		0.44	0.29	0.74	1.05

Unaudited Consolidated Balance Sheet

As at 30 September 2007

	<i>Note</i>	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		43,589	14,654
Available-for-sale investments		143	143
Goodwill		165,230	47,372
		208,962	62,169
Current assets			
Inventories		5,772	3,897
Trade and other receivables	9	185,759	77,104
Pledged bank deposits	11	–	5,048
Cash and bank balances		134,929	24,758
		326,460	110,807
Total assets		535,422	172,976
Equity:			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	85,796	54,105
Reserves		349,977	77,201
		435,773	131,306
Minority interests		8,116	3,421
Total equity		443,889	134,727

	<i>Note</i>	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	10	39,067	12,338
Obligations under finance lease		241	297
Amounts due to directors		–	736
Amounts due to minority shareholders		17,493	15,323
Secured short-term bank loan		–	6,000
Tax payable		2,998	1,227
		59,799	35,921
Long-term liabilities			
Convertible notes		31,734	2,328
Total liabilities		91,533	38,249
Total equity and liabilities		535,422	172,976
Net current assets		266,661	74,886
Total assets less current liabilities		475,623	137,055

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible notes reserves	Statutory enterprise expansion fund	Statutory reserve	Warrants reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note (b))	HK\$'000 (Note (c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2006													
At 1 April 2006	17,247	60,764	2,935	453	113	499	37	37	-	(51,103)	30,982	36	31,018
Net profit for the period	-	-	-	-	-	-	-	-	-	7,286	7,286	(153)	7,133
Issue of shares	10,918	-	-	-	-	-	-	-	-	-	10,918	-	10,918
Premium arising on issue of shares	-	9,176	-	-	-	-	-	-	-	-	9,176	-	9,176
Issuing expenses	-	(1,103)	-	-	-	-	-	-	-	-	(1,103)	-	(1,103)
Share-based payment expense	-	-	-	-	(113)	-	-	-	-	-	(113)	-	(113)
Exercise of share options	242	-	-	-	-	-	-	-	-	-	242	-	242
Premium arising on exercise of share options	-	255	-	-	-	-	-	-	-	-	255	-	255
Transfer to reserve	-	-	-	-	-	-	-	-	1,836	-	1,836	-	1,836
At 30 September 2006	28,407	69,092	2,935	453	-	499	37	37	1,836	(43,817)	59,479	(117)	59,362
At 1 April 2007	54,105	152,381	(38,645)	1,607	5,000	69	149	149	1,837	(45,346)	131,306	3,421	134,727
Net profit for the period	-	-	-	-	-	-	-	-	-	14,452	14,452	4,695	19,147
Issue of shares	31,316	-	-	-	-	-	-	-	-	-	31,316	-	31,316
Premium arising on issue of shares	-	284,039	-	-	-	-	-	-	-	-	284,039	-	284,039
Issuing expenses	-	7,353	-	-	-	-	-	-	-	-	7,353	-	7,353
Exercise of share options	375	-	-	-	-	-	-	-	-	-	375	-	375
Premium arising on exercise of share options	-	3,450	-	-	-	-	-	-	-	-	3,450	-	3,450
Special reserve arising on acquisition of a subsidiary	-	-	(40,000)	-	-	-	-	-	-	-	(40,000)	-	(40,000)
Transfer to reserve	-	-	-	-	-	3,594	(56)	(56)	-	-	3,482	-	3,482
At 30 September 2007	85,796	447,223	(78,645)	1,607	5,000	3,663	93	93	1,837	(30,894)	435,773	8,116	443,889

Note:

- The special reserve 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 subsidiaries acquired pursuant to group reorganisations.
- As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall appropriate 5% to 10% of the 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.
- As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of the 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 and by the relevant authority, to offset accumulated losses or increase capital.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash (used in)/inflow from operating activities	(29,312)	4,012
Net cash used in investing activities	(70,234)	(17,665)
Net cash inflow from financing activities	209,717	19,217
Net increase in cash and cash equivalents	110,171	5,564
Cash and cash equivalents at 1 April	24,758	8,992
Cash and cash equivalents at 30 September	134,929	14,556

NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on GEM of the Stock Exchange.

The Company acts as an investment holding company while its subsidiaries are engaged in the provision of general hospital and healthcare services and hospital management services in the PRC. In addition, the Group is also engaged in the provision of environmental protection services, manufacture and sale of melamine and its related products.

2. Basis of preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the period ended 30 September 2007 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2007.

The unaudited consolidated results for the six months ended 30 September 2007 have been reviewed by the audit committee of the Company.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the provision of general hospital and healthcare services and hospital management services, sale of environmental protection products and provision of related services, sale of melamine and its related products.

4. Segment Information

Business segments

An analysis of the Group's business segments information is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover				
- Provision of general hospital and healthcare services	19,274	-	29,325	-
- Provision of hospital management services	9,549	6,740	22,943	16,000
- Sale of environmental protection products and provision of related services	2,065	8,509	4,270	12,717
- Sale of melamine and its related products	4,281	5,475	9,544	10,971
	<u>35,169</u>	<u>20,724</u>	<u>66,082</u>	<u>39,688</u>
Results				
- Provision of general hospital and healthcare services	13,429	-	20,182	-
- Provision of hospital management services	9,341	6,001	21,729	14,350
- Sale of environmental protection products and provision of related services	1,521	3,213	2,743	5,450
- Sale of melamine and its related products	170	460	532	1,182
	<u>24,461</u>	<u>9,674</u>	<u>45,186</u>	<u>20,982</u>
Unallocated other income	1,049	91	1,757	303
Unallocated corporate expenses	(12,815)	(7,505)	(24,439)	(13,306)
Profit from operations	12,695	2,260	22,504	7,979
Finance costs	(216)	(134)	(359)	(363)
Profit before taxation	12,479	2,126	22,145	7,616
Taxation	(2,173)	(172)	(2,998)	(483)
Profit for the period	<u>10,306</u>	<u>1,954</u>	<u>19,147</u>	<u>7,133</u>
Attributable to:				
Equity holders of the Company	8,048	2,084	14,452	7,286
Minority interests	2,258	(130)	4,695	(153)
	<u>10,306</u>	<u>1,954</u>	<u>19,147</u>	<u>7,133</u>

Geographical segments

During the period under review, the Group's operations are located in the PRC, Korea and Hong Kong. The following table provides an analysis of the Group's geographical segments information:

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover				
- PRC	33,104	11,714	61,406	25,390
- Korea	2,065	8,411	4,270	12,250
- Hong Kong	-	599	406	2,048
	<u>35,169</u>	<u>20,724</u>	<u>66,082</u>	<u>39,688</u>
Results				
- PRC	22,940	6,310	42,335	15,069
- Korea	1,521	3,256	2,743	5,495
- Hong Kong	-	108	108	418
	<u>24,461</u>	<u>9,674</u>	<u>45,186</u>	<u>20,982</u>

5. Profit from Operations

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Profit from operations has been arrived at after charging:				
Cost of inventories recognised as expenses	36	-	56	39
Depreciation of property, plant and equipment	792	251	1,361	525
Operating lease rentals in respect of buildings	907	215	1,579	381
Staff costs (including Directors' remuneration)	2,797	2,326	5,281	4,601
	<u>2,797</u>	<u>2,326</u>	<u>5,281</u>	<u>4,601</u>

6. Finance Costs

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Interest expenses				
– Convertible notes	25	117	50	300
– Finance lease	8	8	16	16
Bank interest and charges	183	9	293	47
	<u>216</u>	<u>134</u>	<u>359</u>	<u>363</u>

7. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits deriving from Hong Kong's operations during the period (2006: Nil).

Provision for corporate income tax of approximately 5% in average has been made for income derived from the provision of healthcare and hospital management services in the PRC (2006: approximately HK\$483,000).

8. Earnings Per Share

The calculation of basic earnings per share for the three months ended 30 September 2007 was based on the net profit of approximately HK\$8,048,000 (2006: approximately HK\$2,084,000 and on the weighted average number of 1,429,772,585 shares (2006: 560,760,308 shares).

The calculation of basic earnings per share for the six months ended 30 September 2007 was based on the net profit of approximately HK\$14,452,000 (2006: approximately HK\$7,286,000) and on the weighted average number of 1,573,626,708 shares (2006: 538,354,753 shares).

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and six months ended 30 September 2007, the Company had three categories of dilutive potential ordinary shares: unlisted convertible notes, non-listed warrants and share options.

The unlisted convertible notes and non-listed warrants are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense of the unlisted 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.

	Three months ended 30 September 2007 HK\$'000 (unaudited)	Six months ended 30 September 2007 HK\$'000 (unaudited)
Profit attributable to equity holders of the Company	8,048	14,452
Interest expense on unlisted convertible notes (net of tax)	25	50
Profit used to determine diluted earnings per share	<u>8,073</u>	<u>14,502</u>
	2007	2007
Weighted average number of ordinary shares in issue	1,429,772,585	1,573,626,708
Adjustments for assumed conversion of unlisted convertible notes	148,674,085	148,674,085
Adjustments for assumed conversion of non-listed warrants	133,298,711	133,298,711
Adjustments for assumed exercise of share options	<u>109,277,950</u>	<u>109,277,950</u>
Weighted average number of ordinary shares of diluted earnings per share	<u>1,821,023,331</u>	<u>1,964,877,454</u>
	2007	2007
Diluted earnings per share	<u>HK0.44 cents</u>	<u>HK0.74 cents</u>

9. Trade and Other Receivables

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 as at the balance sheet date:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trade receivables	49,004	22,894
Deposits made to suppliers	–	22,392
Deposit paid under a conditional sale and purchase agreement	45,850	11,250
Deposits paid and prepayments	58,296	20,006
Other receivables	32,609	562
	<hr/> 185,759 <hr/>	<hr/> 77,104 <hr/>
	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trade receivables		
Age		
0 to 90 days	41,163	19,981
91 to 180 days	6,903	1,201
181 to 365 days	–	–
Over 365 days	938	2,703
	<hr/> 49,004 <hr/>	<hr/> 23,885 <hr/>
Less: Provision for impairment losses of trade receivables	–	(991)
	<hr/> 49,004 <hr/>	<hr/> 22,894 <hr/>

10. Trade and Other Payables

Payment terms with trade creditors are normally ranging from 90 to 120 days. The following is an aged analysis of trade payables as at the balance sheet date:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trade payables	11,865	3,747
Value-added tax payable	8,223	2,597
Other payables	18,979	5,994
	<hr/> 39,067 <hr/>	<hr/> 12,338 <hr/>
	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trade payables		
Age		
0 to 90 days	7,708	2,151
91 to 180 days	1,805	407
181 to 365 days	1,551	784
Over 365 days	801	405
	<hr/> 11,865 <hr/>	<hr/> 3,747 <hr/>

11. Pledged Bank Deposits

The Group had no pledged bank deposits for the six months ended 30 September 2007 as the short-term bank loan of HK\$6,000,000 had been settled on 28 August 2007 (31 March 2007: approximately HK\$5,048,000).

12. Share Capital

	Number of Ordinary Shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each at 30 September 2006	2,000,000,000	100,000
– Increase in authorised share capital on 9 March 2007 (<i>Note (a)</i>)	<u>3,000,000,000</u>	<u>150,000</u>
– at 30 September 2007	<u>5,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each at 30 September 2006	568,137,958	28,407
– Issue of new shares upon exercise of the conversion rights attached to the unlisted convertible notes on 16 October 2006, 11 January and 19 March 2007 (<i>Note (b)</i>)	32,436,159	1,622
– Issue of consideration shares on 24 November 2006 (<i>Note (c)</i>)	126,000,000	6,300
– Issue of new shares by way of open offer on 16 February 2007 (<i>Note (d)</i>)	355,523,083	17,776
– Issue of new shares on subscription on 24 April 2007 (<i>Note (e)</i>)	200,000,000	10,000
– Issue of consideration shares on 9 May 2007 (<i>Note (f)</i>)	170,320,000	8,516
– Exercise of share options on 21 May 2007 (<i>Note (g)</i>)	7,500,000	375
– Issue of new shares on subscription on 28 May 2007 (<i>Note (h)</i>)	<u>256,000,000</u>	<u>12,800</u>
– at 30 September 2007	<u>1,715,917,200</u>	<u>85,796</u>

Notes:

- (a) Pursuant to the ordinary resolution passed by the shareholders in the special general meeting held on 9 March 2007, the authorised share capital of the Company increased from HK\$100,000,000 divided into 2,000,000,000 shares of HK\$0.05 each to HK\$250,000,000 divided into 5,000,000,000 shares of HK\$0.05 each by the creation of an additional 3,000,000,000 un-issued shares of HK\$0.05 each.

- (b) On 16 October 2006, 11 January and 19 March 2007 respectively, a total of HK\$6,000,000 unlisted convertible notes were converted into a total of 32,436,159 shares. As at 30 September 2007, there were a total of 109,277,950 shares equivalent to HK\$35,500,000 unlisted convertible notes outstanding for conversion.
- (c) On 24 November 2006, the Group acquired 76% interest of the issued share capital of Day View Group Limited and the loan from shareholders for a consideration of approximately HK\$96,860,000 and was settled by cash of approximately HK\$20,000,000 and the issue of 126,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.61 each.
- (d) On 16 February 2007, the Company issued 355,523,083 offer shares by an open offer at a subscription price of HK\$0.08 per offer share on the basis of one offer share for every two shares held on record date. The net proceeds of approximately HK\$23,060,000 were used to finance future investments including the joint ventures with Town Health International Holdings Company Limited and approximately HK\$3,000,000 towards general working capital of the Group.
- (e) On 13 March 2007, the Company entered into a placing agreement with the placing agent in relation to the placing of not more than 200,000,000 shares at an issue price of HK\$0.352 per share. The net proceeds from the placing were approximately HK\$67,900,000 which would be used for partial payment of the consideration of the acquisition of Hero Vision Enterprises Limited, future business development of the Group and general working capital of the Group. The placing was completed on 24 April 2007.
- (f) Upon completion of the acquisition of the entire equity interest of Hero Vision Enterprises Limited on 9 May 2007, the Company issued and allotted 170,320,000 consideration shares to Mr. Lau Kam Shui.
- (g) On 21 May 2007, 7,500,000 shares options had been exercised and the Company issued and allotted 7,500,000 ordinary shares to an employee of the Group.
- (h) 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\$142,000,000 which would be used for future investment in healthcare sector in the PRC and general working capital of the Group. The placing was completed on 28 May 2007.

13. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of the Group for the six months ended 30 September 2007 have shown improvement in turnover compared with the corresponding period ended 30 September 2006. Turnover of the Group for the six months ended 30 September 2007 was approximately HK\$66,082,000 in comparison with a turnover of approximately HK\$39,688,000 in 2006, representing an increase of approximately 67%. Net profit attributable to equity holders for the six months ended 30 September 2007 was approximately HK\$14,452,000 in comparison with a net profit of approximately HK\$7,286,000 in 2006, representing an increase of approximately 98%. Increase in the net profit attributable to the equity holders was the result of the improved profit margin from the general hospital services and healthcare and hospital management services in the PRC.

The improvement in revenue for the six months ended 30 September 2007 was mainly driven by the increased contribution in turnover by the provision of general hospital services and healthcare and hospital management services in the PRC. The turnover of these lines of services of approximately HK\$52,268,000 represented approximately 79% of the Group's turnover for the six months ended 30 September 2007.

Administrative expenses for the six months ended 30 September 2007 recorded an increase of approximately 51% as compared with the corresponding period ended 30 September 2006. The increase was mainly constituted from the increase of professional fees in relation to the open offer, acquisition of Chongqing Edward Hospital Company Limited, and increase in the marketing and promotional expenses.

Business Review and Outlook

General hospital and healthcare services

On 9 May 2007, the Group has completed the acquisition of the entire equity interest of Hero Vision Enterprises Limited. Hero Vision Enterprises Limited and its subsidiaries, including the 55% owned Chongqing Edward Hospital Company Limited, are principally engaged in the provision of general hospital and healthcare services, consultancy in hospital management, research and development of medical management information systems; and other complementary and value-added healthcare services. The turnover contributed by Hero Vision Enterprises Limited and its subsidiaries in these services for the six months ended 30 September 2007 was approximately HK\$29,325,000 (2006: Nil)

Hospital management services

On 24 November 2006, the Group completed the acquisition of the 76% owned 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 hospital management services for the six months ended 30 September 2007 was approximately HK\$22,943,000 (2006: approximately HK\$16,000,000).

Manufacture and sale of melamine and its related products

The Group manufactures and sells 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 sale of melamine materials and environmental friendly household products for the six months ended 30 September 2007 was approximately HK\$9,544,000 (2006: approximately HK\$10,971,000).

Environmental protection products and services

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 six months ended 30 September 2007 totalled approximately HK\$4,270,000 (2006: approximately HK\$12,250,000). On 31 October 2007, the Company has entered into a sale and purchase agreement with Spring Vision Group Limited for the disposal of the entire equity interest of Righttime Development Limited and its subsidiaries, including Youngdong for a cash consideration of HK\$1,900,000. For further details, please refer to the Company's announcement dated 1 November 2007.

The Group terminated the provision of cleansing and ancillary services as well as the sale of energy saving products in Hong Kong since 2006 due to fall in demand of these products and services (2006: approximately HK\$467,000).

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 complementary 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.

Business and Geographical Expansion

On 8 October 2007, the Group has completed the acquisition of the entire equity interest of Merry Sky Investments Limited. Merry Sky Investments Limited and its subsidiaries, including the 55% owned Jiaxing City Shunguang Western and Chinese Composite Hospital Limited, a privately-run general hospital established in Jiaxing City, the PRC, are principally engaged in the provision of traditional Chinese medical treatments as well as general hospital medical services including but not limited to medical ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination. The financial results, assets and liabilities of Merry Sky Investments Limited and its subsidiaries will be consolidated with that of the Group from 8 October 2007. For further details, please refer to the Company's announcements and circular dated 17 August 2007, 7 September 2007 and 8 October 2007 respectively.

Liquidity and Financial Resources

The Group had total cash and bank balances of approximately HK\$134,929,000 as at 30 September 2007 (31 March 2007: approximately HK\$24,758,000). The increase of cash and cash equivalents was mainly generated from the placing of shares.

The gearing ratio (calculated as total debts divided by total assets) of the Group as at 30 September 2007 was 0.17 (31 March 2007: 0.22). Decrease in the gearing ratio was mainly due to the settlement of the short-term bank loan of HK\$6,000,000 on 28 August 2007.

The Group recorded total current assets of approximately HK\$326,460,000 as at 30 September 2007 (31 March 2007: approximately HK\$110,807,000) and total current liabilities of approximately HK\$59,799,000 as at 30 September 2007 (31 March 2007: approximately HK\$35,921,000). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 5.46 as at 30 September 2007 (31 March 2007: 3.08).

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2007 (31 March 2007: Nil).

Treasury Policies

The Group generally finances its operations with internal resources.

Foreign Currency Exposure

During the six months ended 30 September 2007, the Group experienced only immaterial 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 minimal, the Group did not employ any financial instrument for hedging purposes.

Employee Information

As at 30 September 2007, the Group had 425 (31 March 2007: 156) full time employees. During the six months ended 30 September 2007, the staff costs, including Directors' remuneration, totalled approximately HK\$5,281,000 (2006: approximately HK\$4,601,000). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group. The Group's employment and remuneration policies remained the same as detailed in its Annual Report for the year ended 31 March 2007.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests in shares, underlying shares and debentures

As at 30 September 2007, the interests and short position 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:*

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung Kwok Leong	Corporate interest (Note)	375,746,000	Long	21.90%
	Personal interest	6,187,500	Long	0.36%
Ms. Shum Ngai Pan	Personal interest	5,400,000	Long	0.31%
Mr. Zheng Gang	Personal interest	3,600,000	Long	0.21%

Note: These shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung Kwok Leong.

(ii) Interests in Share Options:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.627	3,242,085	Long
	21 March 2007 to 20 March 2017	HK\$0.51	5,800,000	Long
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.627	3,705,240	Long
	21 March 2007 to 20 March 2017	HK\$0.51	7,100,000	Long
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160	Long
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000	Long
Mr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160	Long
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000	Long

Save as disclosed above, as at 30 September 2007, 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 September, 2007, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Easeglory Holdings Limited (Note 1)	375,746,000	Long	Beneficial owner	21.90%
Ms. Yung Muk Ying (Note 1)	390,975,585	Long	Interest of spouse	22.79%
Mr. Lau Kam Shui (Note 2)	264,070,000	Long	Beneficial owner	15.39%
Ms. Lau Yuk Lan (Note 2)	264,070,000	Long	Interest of spouse	15.39%
Mr. Wu Jianguo (Note 3)	88,607,595	Long	Beneficial owner	5.16%
Ms. Zhan Wei Hong (Note 3)	88,607,595	Long	Interest of spouse	5.16%

- Notes:
1. The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 375,746,000 shares held by Easeglory Holdings Limited and 6,187,500 shares and 9,042,085 underlying shares beneficially held by Mr. Yung Kwok Leong in personal capacity by virtue of her being the spouse of Mr. Yung Kwok Leong.
 2. Mr. Lau Kam Shui is interested in 264,070,000 shares, being the aggregate of the consideration shares and the conversion shares under the SFO. Ms. Lau Yuk Lan is deemed to be interested in 264,070,000 shares by virtue of her being the spouse of Mr. Lau Kam Shui.
 3. Mr. Wu Jianguo is interested in 88,607,595 shares, being the number of consideration shares to be issued to him by the Company pursuant to the conditional sale and purchase agreement dated 14 August 2007. Ms. Zhan Wei Hong is deemed to be interested in 88,607,595 shares by virtue of her being the spouse of Mr. Wu Jianguo.

Save as disclosed above, as at 30 September 2007, the Directors of the Company 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" 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.

SHARE OPTION SCHEMES

As at 30 September 2007, there were 150,042,907 outstanding share options, of which, 1,368,822 and 148,674,085 share options were granted pursuant to the respective Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. Details of the outstanding share options as at 30 September 2007 were as follows:

(i) Pre-IPO Scheme

As at 30 September 2007, there were 1,368,822 outstanding share options pursuant to the Pre-IPO Scheme adopted on 20 April 2002. A breakdown setting out the number of outstanding share options and their respective exercise price, both of which have been adjusted as a result of the share consolidation, the rights issue and open offer, and their respective exercise period under the Pre-IPO Scheme was as follows:

	Exercise period	Exercise price	Number of share options outstanding
Former employee and advisor of the Company	25 April 2002 to 24 April 2012	HK\$0.409	1,368,822

(ii) Post-IPO Share Option Scheme

On 12 July, 24 July 2006 and 21 March 2007 respectively, the Company passed Board resolutions pursuant to the Post-IPO Scheme adopted on 20 April 2002 to grant a total of 148,674,085 share options to Directors, consultants and employees of the Group. It was resolved that share options be offered to the Directors, consultants and employees at the subscription price of HK\$0.83, HK\$0.82 and HK\$0.51 per share respectively with a 10 year exercise period each commencing from 13 July, 24 July 2006 and 21 March 2007 respectively. The exercise prices of the share options granted on 13 July and 24 July 2006 have been adjusted to HK\$0.62 and HK\$0.627 respectively as a result of the open offer becoming unconditional on 12 February 2007. As at 30 September 2007, a breakdown setting out the number of share options outstanding, their respective exercise price and exercise period was as follows:

	Exercise period	Exercise price	Number of share options outstanding
Mr. Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.627	3,242,085
	21 March 2007 to 20 March 2017	HK\$0.51	5,800,000
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.627	3,705,240
	21 March 2007 to 20 March 2017	HK\$0.51	7,100,000
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000
Mr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$0.627	18,989,355
	24 July 2006 to 23 July 2016	HK\$0.62	16,475,085
	21 March 2007 to 20 March 2017	HK\$0.51	71,800,000
Total			148,674,085

DIRECTORS' SERVICE CONTRACTS

Mr. Yung Kwok Leong, the executive Director of the Company and chairman of the Board has signed a letter of appointment with the Company for a period of one year commencing from 1 February 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Ms. Shum Ngai Pan and Mr. Chen Jin Shan have been appointed as executive Directors by way of letters of appointment with the Company for a period of one year commencing from 25 April 2006 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. Mr. Weng Jiaying has resigned as the executive Director of the Company with effect from 1 August 2007 due to health reasons.

Mr. Jiang Tao has been appointed as the executive Director by way of letter of appointment with the Company for a period of one year commencing from 3 January 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Dr. Wong Yu Man, James, has been appointed as the non-executive Director by way of a letter of appointment with the Company for a period of one year commencing from 20 March 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Mr. Zheng Gang has been appointed as the executive Director by way of a letter of appointment with the Company for a period of one year commencing from 1 August 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Ms. Wong Ka Wai, Jeanne, an independent non-executive Director, has been appointed by way of a letter of appointment with the Company for a period of one year commencing from 1 November 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. All the other independent non-executive Directors, namely Mr. Hsu William Shiu Foo and Mr. Yu Chai Mei, have entered into independent non-executive Directors' contracts with the Company for a term of one year commencing from 22 April 2002 and will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. Mr. Chan Francis Ping Kuen has resigned as the independent non-executive Director of the Company with effect from 1 November 2007 to devote more time on his own career development.

Save as disclosed above, none of the Directors has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

During the six months ended 30 September 2007, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors 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. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the period ended 30 September 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 September 2007 except that no nomination committee of the Board is established.

PRE-EMPTIVE RIGHTS

There is no provision 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.

REMUNERATION COMMITTEE

The remuneration committee was established on 3 June 2005 in compliance with the code provision. The members include Ms. Wong Ka Wai, Jeanne, Mr. Hsu William Shiu Foo and Mr. 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. No meeting was held for the six months ended 30 September 2007 but resolution in writing from the remuneration committee was passed to consider and approve the emolument of the new executive Director.

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 and 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 the three independent non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited results for the six months ended 30 September 2007.

On behalf of the Board of
Hua Xia Healthcare Holdings Limited
Yung Kwok Leong
Chairman

Hong Kong, 12 November 2007

As at the date of this report, the executive Directors of the Company are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan, Mr. Jiang Tao and Mr. Zheng Gang, the non-executive Director is Dr. Wong Yu Man, James, and the independent non-executive Directors are Ms. Wong Ka Wai, Jeanne, Mr. Hsu William Shiu Foo and Mr. Yu Chai Mei.