



**HUA XIA HEALTHCARE HOLDINGS LIMITED**

**華夏醫療集團有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8143)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2007**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, 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 announcement 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 announcement misleading; and (3) 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 purpose only

## **HIGHLIGHTS**

- The Group has recorded a total turnover of approximately HK\$106,010,000 for the nine months ended 31 December 2007 as compared to a total turnover of approximately HK\$57,993,000 recorded in the corresponding period in 2006, representing an increase of approximately 83%.
- The Group has recorded a net profit attributable to equity holders for the nine months ended 31 December 2007 of approximately HK\$24,946,000 as compared to a net profit attributable to equity holders of approximately HK\$9,089,000 recorded in the corresponding period in 2006.
- The basic and diluted earnings per share of the Company for the nine months ended 31 December 2007 were approximately HK1.51 cents and HK1.33 cents respectively (2006: approximately HK1.62 cents and HK1.27 cents respectively).
- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2007 (2006: Nil).

## CONSOLIDATED THIRD QUARTERLY 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 nine months ended 31 December 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

### Unaudited Condensed Consolidated Income Statement

For the three months and nine months ended 31 December 2007

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>TURNOVER</b>	3	<b>39,928</b>	18,305	<b>106,010</b>	57,993
Cost of sales		<b>(13,497)</b>	(7,862)	<b>(34,393)</b>	(26,568)
Gross profit		<b>26,431</b>	10,443	<b>71,617</b>	31,425
Other income		<b>2,439</b>	91	<b>4,196</b>	394
Selling and distribution costs		<b>(1,389)</b>	(187)	<b>(6,353)</b>	(619)
Administrative expenses		<b>(11,492)</b>	(7,251)	<b>(30,967)</b>	(20,125)
<b>PROFIT FROM OPERATIONS</b>		<b>15,989</b>	3,096	<b>38,493</b>	11,075
Finance costs		<b>(493)</b>	(230)	<b>(852)</b>	(593)
<b>PROFIT BEFORE TAXATION</b>		<b>15,496</b>	2,866	<b>37,641</b>	10,482
Taxation	4	<b>(2,876)</b>	(527)	<b>(5,874)</b>	(1,010)
<b>PROFIT FOR THE PERIOD</b>		<b>12,620</b>	2,339	<b>31,767</b>	9,472
Attributable to:					
Equity holders of the Company		<b>10,494</b>	1,803	<b>24,946</b>	9,089
Minority interests		<b>2,126</b>	536	<b>6,821</b>	383
		<b>12,620</b>	2,339	<b>31,767</b>	9,472
<b>DIVIDENDS</b>	5	<b>–</b>	–	<b>–</b>	–
<b>EARNINGS PER SHARE</b>	6				
– Basic (cents)		<b>0.58 cents</b>	0.29 cents	<b>1.51 cents</b>	1.62 cents
– Diluted (cents)		<b>0.53 cents</b>	0.23 cents	<b>1.33 cents</b>	1.27 cents

# Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2007

	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Special reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible notes reserve HK\$'000	Statutory enterprise expansion fund HK\$'000 (Note (c))	Statutory surplus reserve HK\$'000 (Note (d))	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity 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	-	-	-	-	-	-	-	-	-	9,089	9,089	383	9,472
Issue of shares	17,580	-	-	-	-	-	-	-	-	-	17,580	-	17,580
Premium arising on issue of shares	-	80,818	-	-	-	-	-	-	-	-	80,818	-	80,818
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 31 December 2006	<u>35,069</u>	<u>140,734</u>	<u>2,935</u>	<u>453</u>	<u>-</u>	<u>499</u>	<u>37</u>	<u>37</u>	<u>1,836</u>	<u>(42,014)</u>	<u>139,586</u>	<u>419</u>	<u>140,005</u>
2007													
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	-	-	-	-	-	-	-	-	-	24,946	24,946	6,821	31,767
Issue of shares	35,746	-	-	-	-	-	-	-	-	-	35,746	-	35,746
Premium arising on issue of shares	-	329,337	-	-	-	-	-	-	-	-	329,337	-	329,337
Issuing expenses	-	(7,649)	-	-	-	-	-	-	-	-	(7,649)	-	(7,649)
Exercise of share options	375	-	-	-	-	-	-	-	-	-	375	-	375
Premium arising on exercise of share options	-	3,450	-	-	-	-	-	-	-	-	3,450	-	3,450
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	308	-	-	-	-	-	-	308	-	308
Warrant reserve transferred to retained profits upon expiry of warrants	-	-	-	-	-	-	-	-	(1,837)	1,837	-	-	-
Increase in minority interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	18,462	18,462
Transfer to reserve	-	-	-	-	-	3,594	(56)	(56)	-	(1,359)	2,123	-	2,123
At 31 December 2007	<u>90,226</u>	<u>477,519</u>	<u>(38,645)</u>	<u>1,915</u>	<u>5,000</u>	<u>3,663</u>	<u>93</u>	<u>93</u>	<u>-</u>	<u>(19,922)</u>	<u>519,942</u>	<u>28,704</u>	<u>548,646</u>

Note:

- (a) As at 31 December 2007, the number of ordinary shares issued and fully paid were 1,804,524,795 shares (2006: 701,384,334 shares).
- (b) 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.
- (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 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.
- (d) 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 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 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 31 December 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 nine months ended 31 December 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.

	Three months ended		Nine months ended	
	31 December		31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
– Provision of general hospital and healthcare services	24,158	–	53,483	–
– Provision of hospital management services	9,548	8,059	32,490	24,059
– Sale of environmental protection products and provision of related services	2,182	4,275	6,858	16,992
– Sale of melamine and its related products	4,040	5,971	13,179	16,942
	<u>39,928</u>	<u>18,305</u>	<u>106,010</u>	<u>57,993</u>

#### 4. 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 hospital management services in the PRC (2006: approximately 5%).

#### 5. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2007 (2006: Nil).

#### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 31 December 2007 was based on the net profit of approximately HK\$10,494,000 (2006: approximately HK\$1,803,000) and on the weighted average number of 1,796,819,787 shares (2006: 630,355,034 shares).

The calculation of basic earnings per share for the nine months ended 31 December 2007 was based on the net profit of approximately HK\$24,946,000 (2006: approximately HK\$9,089,000) and on the weighted average number of 1,648,294,938 shares (2006: 562,201,990 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 nine months ended 31 December 2007, the Company had two categories of dilutive potential ordinary shares: unlisted convertible notes and share options.

The unlisted convertible notes 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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Three months ended 31 December 2007 HK\$'000 (unaudited)</b>	<b>Nine months ended 31 December 2007 HK\$'000 (unaudited)</b>
Profit attributable to equity holders of the Company	<b>10,494</b>	<b>24,946</b>
Interest expense on unlisted convertible notes (net of tax)	<b>454</b>	<b>504</b>
Profit used to determine diluted earnings per share	<b><u>10,948</u></b>	<b><u>25,450</u></b>

	<b>Three months ended 31 December 2007</b>	<b>Nine months ended 31 December 2007</b>
Weighted average number of ordinary shares in issue	<b>1,796,819,787</b>	<b>1,648,294,938</b>
Adjustments for assumed conversion of unlisted convertible notes	<b>109,277,950</b>	<b>109,277,950</b>
Adjustments for assumed exercise of share options	<b>150,042,907</b>	<b>150,042,907</b>
Weighted average number of ordinary shares of diluted earnings per share	<b><u>2,056,140,644</u></b>	<b><u>1,907,615,795</u></b>
	<b>Three months ended 31 December 2007</b>	<b>Nine months ended 31 December 2007</b>
Diluted earnings per share	<b><u>HK0.53 cents</u></b>	<b><u>HK1.33 cents</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

Results of the Group for the nine months ended 31 December 2007 have shown improvement in turnover compared with the corresponding period ended 31 December 2006. Turnover of the Group for the nine months ended 31 December 2007 was approximately HK\$106,010,000 in comparison with a turnover of approximately HK\$57,993,000 in 2006, representing an increase of approximately 83%. Net profit attributable to equity holders for the nine months ended 31 December 2007 was approximately HK\$24,946,000 in comparison with a net profit of approximately HK\$9,089,000 in 2006, representing an increase of approximately 174%. 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 nine months ended 31 December 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\$85,973,000 represented approximately 81% of the Group's turnover for the nine months ended 31 December 2007.

Administrative expenses for the nine months ended 31 December 2007 recorded an increase of approximately 54% as compared with the corresponding period ended 31 December 2006. The increase was mainly constituted from the increase of professional fees in relation to the open offer, acquisitions of the entire equity interest of Hero Vision Enterprises Limited and Merry Sky Investments 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 nine months ended 31 December 2007 was approximately HK\$47,622,000.

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 turnover contributed by Merry Sky Investments Limited and its subsidiaries in these services for the period ended 31 December 2007 was approximately HK\$5,861,000.

### ***Hospital management services***

The Group provides healthcare management and training and consultancy for hospitals in the PRC through Day View Group Limited, a non-wholly owned subsidiary, 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 nine months ended 31 December 2007 was approximately HK\$32,490,000 (2006: approximately HK\$24,059,000).

On 23 January 2008, Day View Group Limited has entered into a sale and purchase agreement with Mr. Weng Huiteng for the disposal of the entire equity interest of Shine Concord Enterprises Limited and its non-wholly owned subsidiary, Shanghai Humanity Hospital Management Company Limited for a cash consideration of approximately HK\$10,495,000. The completion of the disposal of the entire equity interest of Shine Concord Enterprises Limited took place on 31 January 2008.



### ***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. The total turnover recorded in the sale of melamine materials and environmental friendly household products for the nine months ended 31 December 2007 was approximately HK\$13,179,000 (2006: approximately HK\$16,942,000).

### ***Environmental protection products and services***

The Group's waste water treatment businesses for government and commercial projects were mainly carried out through Youngdong Environmental Engineering Co., Ltd. ("Youngdong") in Korea. Youngdong's turnover for the period ended 11 December 2007 totalled approximately HK\$6,858,000 (2006: approximately HK\$16,992,000). 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. The completion of the disposal of the entire equity interest of Righttime Development Limited took place on 12 December 2007 and the Company has realised a gain on disposal of approximately HK\$1,816,000.

### ***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 general hospital and healthcare sectors in the PRC provide 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.

On 28 December 2007, Long Wider Limited, a wholly-owned subsidiary of the Group, has entered into a sale and purchase agreement with Mr. Wei Changhua to acquire the entire equity interest of Direct Way Group Limited and its subsidiaries, including the 70% owned Foshan Qide Hospital, is a privately-run hospital established in Foshan, the PRC by Foshan Qide Hospital Limited, which provides general hospital services in Foshan, the PRC including but not limited to medicine ward, surgical ward, gynaecology, paediatric unit, plastic surgery, ear nose and throat unit, emergency and accident unit and medical checkup and examination. The total consideration of HK\$54,880,000 was settled by cash. The completion of the acquisition is pending on the target group reorganisation. For further details, please refer to the Company's announcement and circular dated 7 January 2008 and 25 January 2008 respectively.

## DISCLOSURE OF INTERESTS

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

As at 31 December 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	20.82%
	Personal interest	6,187,500	Long	0.34%
Ms. Shum Ngai Pan	Personal interest	5,400,000	Long	0.30%
Mr. Zheng Gang	Personal interest	3,600,000	Long	0.20%

*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:*

<b>Name of Director</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options granted</b>	<b>Position</b>
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 31 December 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 31 December 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 of the Company:*

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Position</b>	<b>Capacity</b>	<b>Approximate percentage of the total issued shares</b>
Easeglory Holdings Limited (Note 1)	375,746,000	Long	Beneficial owner	20.82%
Ms. Yung Muk Ying (Note 1)	390,975,585	Long	Interest of spouse	21.67%
Mr. Lau Kam Shui (Note 2)	264,070,000	Long	Beneficial owner	14.63%
Ms. Lau Yuk Lan (Note 2)	264,070,000	Long	Interest of spouse	14.63%

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.

Save as disclosed above, as at 31 December 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 31 December 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 31 December 2007 were as follows:

### (i) Pre-IPO scheme

As at 31 December 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:

	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options outstanding</b>
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 31 December 2007, a breakdown setting out the number of share options outstanding, their respective exercise price and exercise period was as follows:

	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options outstanding</b>
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			<u>148,674,085</u>

## **DIRECTORS' SERVICE CONTRACTS**

Mr. Yung Kwok Leong, the executive Director and chairman of the Company has signed a letter of appointment with the Company for the monthly fee of HK\$60,000 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 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 the monthly fees of HK\$15,000 and HK\$5,000 respectively 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 notice in writing.

Mr. Jiang Tao has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$30,000 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 notice in writing.

Mr. Zheng Gang has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$60,000 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 notice in writing.

Dr. Wong Yu Man, James, has been appointed as a non-executive Director by way of a letter of appointment with the Company for the monthly fee of HK\$10,000 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 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 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 notice in writing. Each of the three independent non-executive Directors receives a monthly fee of HK\$5,000.

Save as disclosed herein, none of the Directors has entered into any service contracts or proposed to enter into service contracts (excluding contracts expiring or terminating by the employer within one year without payment of any compensation other than statutory compensation).

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

During the nine months ended 31 December 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 31 December 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 31 December 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 nine months ended 31 December 2007 but resolutions in writing from the remuneration committee were passed to consider and approve the emoluments of new executive Director and independent non-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 nine months ended 31 December 2007.

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

Hong Kong, 14 February 2008

*As at the date of this announcement, 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.*

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at [www.huaxia-healthcare.com](http://www.huaxia-healthcare.com).*