



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 2008

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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

The directors of Hua Xia Healthcare Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2008 were as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Turnover	4	114,165	33,697
Cost of sales		(39,574)	(3,373)
Gross profit		74,591	30,324
Other revenue	4	3,351	498
Other income		6,901	–
Selling and distribution expenses		(5,692)	(408)
Administrative expenses		(35,602)	(19,524)
Impairment loss on goodwill		(30,318)	–
Loss on disposal of subsidiaries		(14,580)	–
Provision for impairment on trade and other receivables		–	(67)
(Loss)/Profit from operations	5	(1,349)	10,823
Finance costs		(3,405)	(909)
(Loss)/Profit before taxation		(4,754)	9,914
Taxation	6	(6,176)	(1,227)
(Loss)/Profit for the year from continuing operations		(10,930)	8,687
Discontinued operations			
Profit/(Loss) for the year from discontinued operations		3,157	(1,818)
(Loss)/Profit for the year		(7,773)	6,869
Attributable to:			
Equity holders of the Company		(17,891)	5,981
Minority interests		10,118	888
		(7,773)	6,869
Dividends	8	–	–
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
From continuing and discontinued operations			
– basic	7	<u>HK(1.06) cents</u>	<u>HK0.93 cents</u>
– diluted	7	<u>HK(1.06) cents</u>	<u>HK0.71 cents</u>
From continuing operations			
– basic	7	<u>HK(1.24) cents</u>	<u>HK1.22 cents</u>
– diluted	7	<u>HK(1.24) cents</u>	<u>HK0.91 cents</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		31,418	14,654
Prepaid lease payments		26,880	–
Interest in associates		–	–
Available-for-sale investments		–	143
Goodwill		309,576	47,372
		<hr/>	<hr/>
		367,874	62,169
		<hr/>	<hr/>
Current assets			
Inventories		2,621	3,897
Trade and other receivables and deposits	9	140,819	77,104
Derivative financial instruments		514	–
Amount due from an associate		2,999	–
Pledged bank deposits		5,212	5,048
Cash and bank balances		78,134	24,758
		<hr/>	<hr/>
		230,299	110,807
		<hr/>	<hr/>
Total assets		598,173	172,976
		<hr/> <hr/>	<hr/> <hr/>
EQUITY:			
Capital and reserves attributable to the Company's equity holders			
Share capital		89,902	54,105
Reserves		387,900	77,201
		<hr/>	<hr/>
		477,802	131,306
Minority interests		26,682	3,421
		<hr/>	<hr/>
Total equity		504,484	134,727
		<hr/>	<hr/>

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
LIABILITIES			
Current liabilities			
Trade and other payables	<i>10</i>	47,323	12,338
Obligations under finance leases due within one year		–	297
Amounts due to directors		–	736
Amount due to minority shareholders		11,913	15,323
Secured short-term bank loan		–	6,000
Convertible notes		2,388	–
Tax payable		510	1,227
		<hr/> 62,134 <hr/>	<hr/> 35,921 <hr/>
Long-term liabilities			
Convertible notes		31,374	2,328
Deferred taxation		181	–
		<hr/> 31,555 <hr/>	<hr/> 2,328 <hr/>
Total liabilities		<hr/> 93,689 <hr/>	<hr/> 38,249 <hr/>
Total equity and liabilities		<hr/> 598,173 <hr/>	<hr/> 172,976 <hr/>
Net current assets		<hr/> 168,165 <hr/>	<hr/> 74,886 <hr/>
Total assets less current liabilities		<hr/> 536,039 <hr/>	<hr/> 137,055 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2008

Attributable to the equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000 (Note (c))	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	Statutory reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Total equity at 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 subsidiaries	-	-	-	-	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 option	-	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)
Special reserve arise on acquisition of a subsidiary	-	-	-	(41,580)	-	-	-	-	-	-	-	(41,580)
Increase in minority interest resulting from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,497	2,497
Transfer to reserve	-	-	-	-	-	-	-	112	112	(224)	-	-
Total equity at 31 March 2007 and 1 April 2007	54,105	152,381	1,837	(38,645)	1,607	5,000	69	149	149	(45,346)	3,421	134,727
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	10,050	-	-	-	-	-	-	10,050
Net income recognised directly in equity	-	-	-	-	10,050	-	-	-	-	-	-	10,050
Loss for the year	-	-	-	-	-	-	-	-	-	(17,891)	10,118	(7,773)
Total income for the year	-	-	-	-	10,050	-	-	-	-	(17,891)	10,118	2,277
Issue of shares	35,746	278,086	-	-	-	-	-	-	-	-	-	313,832
Issuing expenses	-	(7,840)	-	-	-	-	-	-	-	-	-	(7,840)
Exercise of share options	375	3,450	-	-	-	-	-	-	-	-	-	3,825
Transfer to share premium upon exercise of share options	-	288	-	-	-	(288)	-	-	-	-	-	-
Equity component of convertible notes	-	-	-	-	-	-	25,125	-	-	-	-	25,125
Special reserve arise on acquisition of subsidiaries	-	-	-	31,910	-	-	-	-	-	-	-	31,910
Increase in minority interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	13,143	13,143
Warrant reserve transferred to accumulated losses upon expiry of warrants	-	-	(1,837)	-	-	-	-	-	-	1,837	-	-
Release upon disposal of subsidiaries	-	-	-	-	(10,196)	-	-	(149)	(149)	-	-	(10,494)
Cancellation on repurchase of shares	(324)	(1,196)	-	-	-	-	-	-	-	-	-	(1,520)
Deferred taxation arising from issue of convertible notes	-	-	-	-	-	-	(501)	-	-	-	-	(501)
Lapse of share option	-	-	-	-	-	(54)	-	-	-	54	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	753	(753)	-	-
Total equity at 31 March 2008	89,902	425,169	-	(6,735)	1,461	4,658	24,693	-	753	(62,099)	26,682	504,484

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 represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2007.

The increase in special reserve amounting to approximately HK\$31,910,000 of the Group represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2008.

- (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) 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 in issue of the Company on the relevant subscription date. All warrants were expired during the year ended 31 March 2008.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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 GT George Town, 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 provision of general hospital and healthcare and hospital management services in the PRC. In addition, it was 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 during the year.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKFRS 2 (Amendment)	Share-based Payment ¹
HKFRS 3 (Revised)	Business Combination ⁴
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

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

² *Effective for annual periods beginning on or after 1 January 2008*

³ *Effective for annual periods beginning on or after 1 July 2008*

⁴ *Effective for annual periods beginning on or after 1 July 2009*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of two segments 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, 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	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations				
Hong Kong	653	640	(3,741)	(244)
PRC	113,512	33,057	12,086	26,732
	114,165	33,697	8,345	26,488
Discontinued operations				
PRC	15,572	21,907	2,148	998
Korea	6,206	21,917	1,017	(2,816)
	21,778	43,824	3,165	(1,818)
	135,943	77,521	11,510	24,670
Unallocated other revenue			3,351	586
Unallocated other income			6,901	–
Unallocated corporate expenses			(19,946)	(16,251)
Profit from operations			1,816	9,005
Finance costs			(3,405)	(909)
(Loss)/Profit before taxation			(1,589)	8,096
Taxation			(6,184)	(1,227)
(Loss)/Profit for the year			(7,773)	6,869

Consolidated balance sheet

	Segment assets		Segment liabilities	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	166,418	25,251	35,683	17,426
PRC	431,755	68,169	58,006	9,014
Singapore	–	–	–	200
Korea	–	2,378	–	2,156
	598,173	95,798	93,689	28,796
Unallocated	–	77,178	–	9,453
	598,173	172,976	93,689	38,249

Other information

	Capital additions		Depreciation and amortisation	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Hong Kong	–	120	162	348
PRC	64,532	2,683	5,371	192
	64,532	2,803	5,533	540
Discontinued operations				
PRC	–	–	1,290	1,331
Korea	–	270	233	391
	64,532	270	1,523	1,722
	64,532	3,073	7,056	2,262

	Loss on disposal of property, plant and equipment		Provision for impairment loss on trade and other receivables	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations				
PRC	229	–	–	–
Hong Kong	–	317	–	67
	<u>229</u>	<u>317</u>	<u>–</u>	<u>67</u>
Discontinued operations				
PRC	351	–	–	–
	<u>580</u>	<u>317</u>	<u>–</u>	<u>67</u>

	Impairment of goodwill	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations		
PRC	30,318	–
Discontinued operations		
Korea	–	1,893
	<u>30,318</u>	<u>1,893</u>

Business segments

The Group is engaged in: (1) manufacture and sales of environmental protection products; (2) provision of general hospital services; and (3) provision of healthcare and hospital management services. During the year ended 31 March 2008, the Group had disposed its installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services business and manufacture and sale of melamine and its related products business.

2008

	Continuing operations			Discontinued operations			
	Manufacture and sales of environmental protection products <i>HK\$'000</i>	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement related products <i>HK\$'000</i>	Manufacture and sales of melamine and its related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>653</u>	<u>67,759</u>	<u>45,753</u>	<u>6,206</u>	<u>15,572</u>	<u>-</u>	<u>135,943</u>
Segment assets	<u>1,674</u>	<u>414,370</u>	<u>14,119</u>	<u>-</u>	<u>-</u>	<u>168,010</u>	<u>598,173</u>
Capital additions	<u>-</u>	<u>64,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,532</u>

	Continuing operations		Discontinued operations			
	Manufacture and sales of environmental protection products <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement related products <i>HK\$'000</i>	Manufacture and sales of melamine and its related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>640</u>	<u>33,057</u>	<u>21,917</u>	<u>21,907</u>	<u>-</u>	<u>77,521</u>
Segment assets	<u>707</u>	<u>34,528</u>	<u>10,281</u>	<u>48,962</u>	<u>78,498</u>	<u>172,976</u>
Capital additions	<u>-</u>	<u>1,724</u>	<u>270</u>	<u>959</u>	<u>120</u>	<u>3,073</u>

4. TURNOVER AND REVENUE

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the installation, engineering and management of waste water treatment systems and environmental facilities, provision of environmental analyses and measurement related products, the sale of environmental protection products, provision of related services and manufacture of melamine and its related products, provision of general hospital services and provision of healthcare and hospital management services. An analysis of the Group's turnover and other revenue, for both continuing and discontinued operations, is as follows:–

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations		
Turnover:		
Manufacture and sales of environmental protection products	653	640
Provision of general hospital services	67,759	–
Provision of healthcare and hospital management services	45,753	33,057
	<u>114,165</u>	<u>33,697</u>
Discontinued operations		
Turnover:		
Manufacture and sales of melamine and its related products	15,572	21,907
Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services	6,206	21,917
	<u>21,778</u>	<u>43,824</u>
	<u>135,943</u>	<u>77,521</u>
Continuing operations		
Other revenue:		
Interest income	2,555	415
Sundry income	796	83
	<u>3,351</u>	<u>498</u>
Discontinued operations		
Other revenue:		
Interest income	87	88
	<u>3,438</u>	<u>586</u>

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations has been arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' remuneration	2,004	2,269	–	–	2,004	2,269
Other staff's retirement benefits scheme contributions	88	65	–	425	88	490
Other staff costs	7,831	5,756	2,449	5,174	10,280	10,930
	9,923	8,090	2,449	5,599	12,372	13,689
Auditors' remuneration	880	580	–	–	880	580
Provision for impairment losses of trade and other receivables	–	67	–	–	–	67
Provision for obsolete inventories	592	66	–	–	592	66
Cost of goods sold	473	563	17,784	32,458	18,257	33,021
Amortisation of prepaid lease payments	727	–	–	–	727	–
Depreciation of property, plant and equipment						
– owned by the Group	4,806	540	1,523	1,624	6,329	2,164
– held under finance leases	–	–	–	98	–	98
Loss on disposal of property, plant and equipment	229	317	351	–	580	317
Operating lease rentals in respect of land and buildings	2,315	1,108	–	127	2,315	1,235
Derecognition of derivative financial instruments	188	–	–	–	188	–
Loss on disposal of subsidiaries	14,580	–	–	–	14,580	–
and after crediting:						
Other income:						
Gain on disposal of subsidiaries	–	–	4,634	–	4,634	–
Net exchange gain	6,759	–	–	–	6,759	–
Reversal of trade and other payables	142	–	–	–	142	–
	6,901	–	4,634	–	11,535	–

6. 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.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation:						
Provision for the year						
– PRC	6,496	1,227	8	–	6,504	1,227
Deferred tax recognised during the year	(320)	–	–	–	(320)	–
	<u>6,176</u>	<u>1,227</u>	<u>8</u>	<u>–</u>	<u>6,184</u>	<u>1,227</u>

7. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	HK\$'000	HK\$'000
(Loss)/Profit attributable to equity holders of the Company	(17,891)	5,981
Interest expense on convertible notes (net of tax)	–	514
(Loss)/Profit for the purpose of diluted earnings per share	<u>(17,891)</u>	<u>6,495</u>

	2008	2007
Weighted average number of ordinary shares in issue	1,694,741,344	639,693,935
Adjustments for assumed exercise of share options	–	157,609,072
Adjustments for assumed exercise of warrants	–	103,414,000
Adjustments for assumed conversion of convertible notes	–	15,527,950
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,694,741,344</u>	<u>916,244,957</u>

From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/Profit attributable to equity holders of the Company	(17,891)	5,981
Add: (Profit)/Loss for the year from discontinued operations	(3,157)	1,818
	<hr/>	<hr/>
	(21,048)	7,799
Interest expense on convertible notes (net of tax)	–	514
	<hr/>	<hr/>
(Loss)/Profit for the purpose of diluted earnings per share	<u>(21,048)</u>	<u>8,313</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.19 cents per share (2007: loss of HK0.28 cents per share) and diluted loss per share for the discontinued operations is HK0.19 cents per share (2007: loss of HK0.28 cents per share), based on the earnings for the year from the discontinued operations of approximately HK\$3,157,000 (2007: loss of HK\$1,818,000) and the denominators detailed above for both basic and diluted loss per shares.

The calculation of diluted (loss)/profit per share for both continuing and discontinued operations did not assume the exercise of the convertible notes and share options existed at 31 March 2008 as the exercise of convertible notes and share options would reduce loss per share, therefore anti-dilutive.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares for the year ended 31 March 2007. 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.

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	6,625	22,894
Deposits made to suppliers	–	22,392
Deposits paid under a conditional sale and purchase agreement	68,600	11,250
Deposits paid	19,604	19,489
Prepayments	10,406	517
Prepaid lease payments	872	–
Other receivables	34,712	562
	<u>140,819</u>	<u>77,104</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 30 to 90 days of issuance, except for certain well established customers where it is normally payable from 1 to 3 years of issuance. The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	5,761	19,981
91 to 180 days	381	1,201
181 to 365 days	–	–
Over 365 days	698	2,703
	<hr/>	<hr/>
	6,840	23,885
<i>Less: Allowance for doubtful debts</i>	(215)	(991)
	<hr/>	<hr/>
	6,625	22,894
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amounts of trade and other receivables and deposits approximately their fair values.

10. TRADE AND OTHER PAYABLES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	21,919	3,747
Value-added tax payables	–	2,597
Accruals and other payables	25,404	5,994
	<hr/>	<hr/>
	47,323	12,338
	<hr/> <hr/>	<hr/> <hr/>

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

	2008	2007
	HK\$'000	HK\$'000
0 to 90 days	4,192	2,151
91 to 180 days	17,421	407
181 to 365 days	–	784
Over 365 days	306	405
	<hr/> 21,919 <hr/>	<hr/> 3,747 <hr/>

Note: The directors consider that the carrying amounts of trade and other payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

Summary of the results of the Group for the financial year ended 31 March 2008 is as follows:

- Turnover of the continuing operations was approximately HK\$114.165 million as compared to a turnover of approximately HK\$33.697 million (restated) for the previous year.
- Gross profit of the continuing operations was approximately HK\$74.591 million as compared to a gross profit of approximately HK\$30.324 million (restated) for the previous year.
- Net loss attributable to equity holders was approximately HK\$17.891 million as compared to a net profit attributable to equity holders of approximately HK\$5.981 million for the previous year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: Nil).

Business Review

The Group is principally engaged in the provision of general hospital services and healthcare and hospital management services in the PRC. In addition, it was 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 during the year.

Results of the Group for the year ended 31 March 2008 have shown improvement in turnover compared with the previous year. Turnover of the continuing operations of the Group for the year was approximately HK\$114.165 million in comparison with HK\$33.697 million (restated) in 2007. The improvement in revenue for the year ended 31 March 2008 was mainly driven by the contribution in turnover by the provision of general hospital services and healthcare and hospital management services in the PRC. Gross profit of the continuing operation of the Group was approximately HK\$74.591 million in comparison with HK\$30.324 million (restated) in 2007.

Net loss attribute to the equity holders for the year ended 31 March 2008 was approximately HK\$17.891 million (2007: net profit approximately HK\$5.981 million) mainly due to the provision of the impairment loss on goodwill of approximately HK\$30.318 million for the disposal of subsidiaries. Such disposals have been completed in the financial year ended 31 March 2008.

Selling and distribution expenses for the year ended 31 March 2008 to approximately HK\$5.692 million as compared to approximately HK\$0.408 million (restated) for the corresponding period last year. Such increase was related to the marketing and promotional expenses of the hospitals in the PRC.

Administrative expenses for the year ended 31 March 2008 amounted to approximately HK\$35.602 million (2007: HK\$19.524 million (restated)). The increase was due to the increase in professional expenses incurred for the acquisition of the hospitals in the PRC and disposal of the subsidiaries during the year.

Business Review and Outlook

Continuing operations

General hospital services

On 9 May 2007, the Group had 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, a privately-run general hospital established in Chongqing, the PRC, is principally engaged in the provision of general hospital services including but not limited to medicine ward, surgical ward, cometic surgery, dermatology department and medical checkup and examination. The turnover contributed by Hero Vision Enterprises Limited and its subsidiaries in these services for the year ended 31 March 2008 was approximately HK\$55.753 million. (2007: Nil)

On 8 October 2007, the Group had 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 year ended 31 March 2008 was approximately HK\$11.814 million. (2007: Nil)

On 22 February 2008, the Group had completed the acquisition of 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 turnover contributed by Direct Way Group Limited and its subsidiaries in these services for the year ended 31 March 2008 was approximately HK\$0.192 million. (2007: Nil)

Healthcare and hospital management services

The Group provides healthcare management and training and consultancy for hospitals in the PRC through Hero Vision Enterprises Limited, Day View Group Limited and Beiyi Renzhi (Beijing) Investment Consultancy Limited 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 healthcare and hospital management services for the year ended 31 March 2008 was approximately HK\$45.753 million (2007: approximately HK\$33.057 million).

Manufacture and sales of environmental protection products

The Group also trades the household products made from the environmental friendly melamine materials. The total turnover recorded is the sale of environmental friendly household products for the year ended 31 March 2008 was approximately HK\$0.653 million (2007: approximately HK\$0.64 million).

Discontinued operations

Manufacture and sales 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 total turnover recorded in the sale of melamine materials for the period ended 28 March 2008 was approximately HK\$15.572 million (2007: approximately HK\$21.907 million).

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\$6.206 million (2007: approximately HK\$21.917 million).

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) in order to benefit from the growth in the healthcare sector and enhance shareholders' returns in the long-run.

On 5 May 2008, the Group had completed the acquisition of the entire equity interest of Large Forever Group Limited and its subsidiaries, including the 70% owned Shangrao Xiehe Hospital, is a privately-run hospital established in Shangrao, the PRC by Shangrao Shi Xiehe Hospital Company Limited, which provides general hospital services in Shangrao, the PRC including but not limited to medicine ward, surgical ward, gynaecology, paediatric unit, plastic surgery, ear nose and throat unit and Chinese medical treatments. The total consideration of HK\$68.6 million was settled by cash. The books and accounts of the hospital has been consolidated with that of the Group.

On 12 June 2008, Famous Fast Limited, a wholly-owned subsidiary of the Group, has entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest of Smart Peak Limited. Smart Peak Limited will indirectly have 100% control of Bengbu Shi Aomeigia Female Hospital Limited, a privately-run hospital established in Anhui, the PRC which provides general hospital services in Anhui, 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\$49 million will be 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 dated 13 June 2008.

Liquidity and financial resources

The Group had total cash and bank balances of approximately HK\$78.134 million as at 31 March 2008 (2007: approximately HK\$24.758 million). The increase in cash and bank balances were mostly due to the completion of the placement of shares in May 2007 which raised in aggregate approximately HK\$219 million for the Company. For the year ended 31 March 2008, the Group paid approximately HK\$97.681 million as cash consideration for the acquisition of three privately-run hospitals in the PRC.

The Group recorded total current assets of approximately HK\$230.299 million as at 31 March 2008 (2007: approximately HK\$110.807 million) and total current liabilities of approximately HK\$62.134 million as at 31 March 2008 (2007: approximately HK\$35.921 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.706 as at 31 March 2008 (2007: approximately 3.084).

Acquisitions and disposals of subsidiaries

Summary of the Group's material acquisitions and disposals for the year ended 31 March 2008 is as follows:

- (a) On 9 May 2007, the Group had completed the acquisition of 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 hospital provides general hospital services including but not limited to medicine ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination. The total consideration amounted to approximately HK\$157.3 million was settled by cash, consideration shares and financial instruments of the Company.
- (b) On 8 October 2007, the Group had 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. The hospital is 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 total consideration of HK\$80.85 million was settled by cash and consideration shares.
- (c) 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\$1.9 million. The completion of the disposal of the entire equity interest of Righttime Development Limited took place on 12 December 2007.

- (d) 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\$10.5 million. The completion of the disposal of the entire equity interest of Shine Concord Enterprises Limited took place on 31 January 2008.
- (e) On 22 February 2008, the Group had completed the acquisition of 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\$54.88 million was settled by cash.
- (f) On 25 February 2008, the Company has entered into a sale and purchase agreement with Mr. Zheng Maolin for the disposal of the entire equity interest of Able Developments Limited and its wholly-owned subsidiaries including Prime Source Trading Limited and Prime Source (Fujian) Chemical Co., Limited for a cash consideration of HK\$83 million. The completion of the disposal of the entire equity interest of Able Developments Limited took place on 28 March 2008.

Contingent liabilities

In early 2006, an action in the PRC has been taken out by Jiaxing City Triumph Electric Company Limited against Jiaxing City Shuguang Western and Chinese Composite Hospital Limited (“Jiaxing Shuguang Hospital”), a non-wholly owned subsidiary of the Company, using for rental payment of an aggregate of approximately RMB0.88 million (equivalent to approximately HK\$0.89 million) for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB0.35 million (equivalent to approximately HK\$0.36 million) in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the “Property in Dispute”) under a legally binding tenancy agreement entered into with Jiaxing City Xin Kai Yuan Industrial Trading Company Limited who has been joined as a third party to the action (the “Shuguang Dispute”).

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited, Jiaxing City Triumph Electric Company Limited alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute.

The Company has been advised by its PRC legal adviser that Jiaxing Shuguang Hospital has a strong defense as the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited, which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and Jiaxing City Triumph Electric Company Limited. The PRC legal adviser further advised that in those circumstances, Jiaxing City Xin Kai Yuan Industrial Trading Company Limited shall be responsible for the Shuguang Dispute.

As at 31 March 2008, the Shuguang Dispute is now stayed pending the outcome of the dispute between Jiaxing City Triumph Electric Company Limited and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited regarding the ownership of the Property in Dispute.

Save for the disclosed, as at 31 March 2008, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against any member of the Group (2007: Nil).

Foreign exchange risk

Since almost all transactions of the Group are denominated in Renminbi, Hong Kong dollars and Korean Won and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Charges on Group assets

As at 31 March 2008, the Group had no bank-borrowing outstanding balances. A time deposit of the Group of approximately HK\$5.212 million has been pledged to a bank in Hong Kong to secure banking facilities granted to the Group. No secured short-term bank loan was drawn down during the year.

Segment information

During the year, the revenue of the Group was principally generated from: (1) manufacture and sales of environmental protection products; (2) provision of general hospital services; and (3) provision of healthcare and hospital management service. During the year ended 31 March 2008, the Group had disposed its installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services business and manufacture and sale of melamine and its related products business. Geographically, the Group has expanded business operations into the cities of Chongqing, Jiaxing and Foshan in the PRC. Financial information in respect of these operations is presented in Note 3 to the financial statements.

Capital structure

At at 31 March 2008, the total issued share capital of the Company was approximately HK\$89,902,240 (2007: HK\$54,104,860) divided into 1,798,044,795 ordinary shares (2007: 1,082,097,200 shares) of HK\$0.05 each.

Employee information

As at 31 March 2008, the Group had 587 (2007: 156) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	15
PRC (including cities of Fuzhou, Chongqing, Jiaying and Foshan)	572

For the year ended 31 March 2008, staff costs (including directors emoluments) amounted to approximately HK\$12.372 million (2007: approximately HK\$13.689 million). The decrease of staff costs was due to the decrease in the share-based payment expense and the implementation of effective cost control measures 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.

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

During the year, the Company had purchased 6,480,000 shares of the Company on the Stock Exchange to enhance the net asset per share. All the relevant share certificates in respect of the repurchases have been duly cancelled and destroyed by the Company's Hong Kong Branch Share Registrar and Transfer Office on 8 January and 15 January 2008 respectively .

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 year ended 31 March 2008 except that no nomination committee of the Board is established.

AUDIT COMMITTEE REVIEW

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2008 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

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

Hong Kong, 26 June 2008

As at the date of this announcement, the executive directors are Mr. Yung Kwok Leong, Mr. Jiang Tao, Mr. Zhang Gang, Ms. Shum Ngai Pan and Mr. Chen Jin Shan. The non-executive director is Dr. Wong Yu Man, James. 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 “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.