



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)



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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Hua Xia Healthcare Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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\$103,725,000 for the six months ended 30 September 2008 as compared to a total turnover of approximately HK\$66,082,000 recorded in the corresponding period in 2007, representing an increase of approximately 57%.
- The Group has recorded a net profit attributable to equity holders for the six months ended 30 September 2008 of approximately HK\$10,727,000 as compared to a net profit attributable to equity holders of approximately HK\$14,452,000 recorded in the corresponding period in 2007.
- The basic and diluted earnings per share of the Company for the six months ended 30 September 2008 were approximately HK0.60 cents and approximately HK0.54 cents respectively (2007: approximately HK0.92 cents and approximately HK0.74 cents respectively).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: 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 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

Unaudited Consolidated Income Statement

For the three months and six months ended 30 September 2008

	Notes	Three months ended 30 September		Six months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
TURNOVER	3&4	56,309	35,169	103,725	66,082
Cost of sales		(16,486)	(10,708)	(30,579)	(20,896)
Gross profit		39,823	24,461	73,146	45,186
Other income		605	1,049	1,746	1,757
Selling and distribution costs		(4,812)	(3,237)	(10,409)	(4,964)
Administrative expenses		(17,840)	(9,578)	(33,918)	(19,475)
PROFIT FROM OPERATIONS	5	17,776	12,695	30,565	22,504
Finance costs	6	(279)	(216)	(543)	(359)
PROFIT BEFORE TAXATION		17,497	12,479	30,022	22,145
Taxation	7	(5,264)	(2,173)	(9,517)	(2,998)
PROFIT FOR THE PERIOD		12,233	10,306	20,505	19,147
Attributable to:					
Equity holders of the Company		6,597	8,048	10,727	14,452
Minority interests		5,636	2,258	9,778	4,695
		12,233	10,306	20,505	19,147
DIVIDENDS	13	-	-	-	-
EARNINGS PER SHARE	8				
- Basic (cents)		0.37	0.56	0.60	0.92
- Diluted (cents)		0.33	0.44	0.54	0.74

Unaudited Consolidated Balance Sheet*As at 30 September 2008*

	<i>Notes</i>	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		42,167	31,418
Prepaid lease payments		26,880	26,880
Goodwill		424,537	309,576
		493,584	367,874
Current assets			
Inventories		4,022	2,621
Trade and other receivables and deposits	9	71,240	140,819
Derivative financial instruments		514	514
Amount due from an associate		–	2,999
Pledged bank deposits		5,239	5,212
Cash and bank balances		64,283	78,134
		145,298	230,299
Total assets		638,882	598,173
EQUITY:			
Capital and reserves attributable to the Company's equity holders			
Share capital		89,902	89,902
Reserves		399,515	387,900
		489,417	477,802
Minority interests		36,781	26,682
Total equity		526,198	504,484

		30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade and other payables	10	60,187	47,323
Amount due to minority shareholders		15,611	11,913
Convertible notes		33,762	2,388
Tax payable		2,943	510
		112,503	62,134
Long-term liabilities			
Convertible notes		–	31,374
Deferred taxation		181	181
		181	31,555
Total liabilities		112,684	93,689
Total equity and liabilities		638,882	598,173
Net current assets		32,795	168,165
Total assets less current liabilities		526,379	536,039

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))				(Note (b))	(Note (c))					
At 1 April 2007	54,105	152,381	(38,645)	1,807	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)	1,807	5,000	3,663	93	93	1,837	(30,894)	435,773	8,116	443,889
At 1 April 2008	89,902	425,169	(6,735)	1,461	4,658	24,693	-	753	-	(62,099)	477,802	26,682	504,484
Net profit for the period	-	-	-	-	-	-	-	-	-	10,727	10,727	9,778	20,505
Increase in minority interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	321	321
Transfer to reserve	-	-	-	888	-	-	-	-	-	-	888	-	888
At 30 September 2008	89,902	425,169	(6,735)	2,349	4,658	24,693	-	753	-	(51,372)	489,417	36,781	526,198

Notes:

- 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 2008*

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow/(used in) from operating activities	9,892	(29,312)
Net cash used in investing activities	(23,200)	(70,234)
Net cash (used in)/inflow from financing activities	(543)	209,717
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(13,851)	110,171
Cash and cash equivalents at 1 April	78,134	24,758
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	64,283	134,929
	<hr/>	<hr/>

NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

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.

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 2008 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2008.

The unaudited consolidated results for the six months ended 30 September 2008 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.

4. Segment Information

Business segments

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

	Three months ended 30 September 2008		Six months ended 30 September 2008	
	HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover				
- Provision of general hospital services	51,786	19,274	94,463	29,325
- Provision of healthcare and hospital management services	4,523	9,549	9,262	22,943
- Sale of environmental protection products and provision of related services	-	2,065	-	4,270
- Sale of melamine and its related products	-	4,281	-	9,544
	56,309	35,169	103,725	66,082
Results				
- Provision of general hospital services	35,530	13,429	64,355	20,182
- Provision of healthcare and hospital management services	4,293	9,341	8,791	21,729
- Sale of environmental protection products and provision of related services	-	1,521	-	2,743
- Sale of melamine and its related products	-	170	-	532
	39,823	24,461	73,146	45,186
Unallocated other income	605	1,049	1,746	1,757
Unallocated corporate expenses	(22,652)	(12,815)	(44,327)	(24,439)
Profit from operations	17,776	12,695	30,565	22,504
Finance costs	(279)	(216)	(543)	(359)
Profit before taxation	17,497	12,479	30,022	22,145
Taxation	(5,264)	(2,173)	(9,517)	(2,998)
Profit for the period	12,233	10,306	20,505	19,147
Attributable to:				
Equity holders of the Company	6,597	8,048	10,727	14,452
Minority interests	5,636	2,258	9,778	4,695
	12,233	10,306	20,505	19,147

Geographical segments

During the six months ended 30 September 2008, the Group's business operations are located in the PRC. The following table provides an analysis of the Group's geographical segments information:

	Three months ended 30 September		Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover				
– PRC	56,309	33,104	103,725	61,406
– Korea	–	2,065	–	4,270
– Hong Kong	–	–	–	406
	<u>56,309</u>	<u>35,169</u>	<u>103,725</u>	<u>66,082</u>
Results				
– PRC	39,823	22,940	73,146	42,335
– Korea	–	1,521	–	2,743
– Hong Kong	–	–	–	108
	<u>39,823</u>	<u>24,461</u>	<u>73,146</u>	<u>45,186</u>

5. Profit from Operations

	Three months ended 30 September		Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Profit from operations has been arrived at after charging:				
Cost of inventories recognised as expenses	–	36	–	56
Depreciation of property, plant and equipment	2,150	792	4,098	1,361
Operating lease rentals in respect of buildings	1,523	907	3,047	1,579
Staff costs (including Directors' remuneration)	5,841	2,797	10,615	5,281
	<u>5,841</u>	<u>2,797</u>	<u>10,615</u>	<u>5,281</u>

6. Finance Costs

	Three months ended 30 September		Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Interest expenses				
– Convertible notes	191	25	381	50
– Finance lease	–	8	–	16
Bank interest and charges	88	183	162	293
	<u>279</u>	<u>216</u>	<u>543</u>	<u>359</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 (2007: Nil).

Corporate income tax of approximately 32% has been provided for the profit generated from the general hospital services and healthcare and hospital management services in the PRC (2007: approximately 5% (hospital management services)).

8. Earnings Per Share

The calculation of basic earnings per share for the three months ended 30 September 2008 was based on the net profit of approximately HK\$6,597,000 (2007: approximately HK\$8,048,000 and on the weighted average number of 1,798,044,795 shares (2007: 1,429,772,585 shares).

The calculation of basic earnings per share for the six months ended 30 September 2008 was based on the net profit of approximately HK\$10,727,000 (2007: approximately HK\$14,452,000) and on the weighted average number of 1,798,044,795 shares (2007: 1,573,626,708 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 2008, 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 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 2008 HK\$'000 (unaudited)	Six months ended 30 September 2008 HK\$'000 (unaudited)
Profit attributable to equity holders of the Company	6,597	10,727
Interest expense on unlisted convertible notes (net of tax)	191	381
Profit used to determine diluted earnings per share	<u>6,788</u>	<u>11,108</u>
Weighted average number of ordinary shares in issue	1,798,044,795	1,798,044,795
Adjustments for assumed conversion of unlisted convertible notes	109,277,950	109,277,950
Adjustments for assumed exercise of share options	<u>149,910,577</u>	<u>149,910,577</u>
Weighted average number of ordinary shares of diluted earnings per share	<u>2,057,233,322</u>	<u>2,057,233,322</u>
	Three months ended 30 September 2008	Six months ended 30 September 2008
Diluted earnings per share	<u>HK0.33 cents</u>	<u>HK0.54 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 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Trade receivables	7,591	6,625
Deposits paid under a conditional sale and purchase agreement	–	68,600
Deposits paid	18,743	19,604
Prepayments	11,051	10,406
Prepaid lease payments	872	872
Other receivables	32,983	34,712
	71,240	140,819
	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Trade receivables		
Age		
0 to 90 days	6,180	5,761
91 to 180 days	1,152	381
181 to 365 days	19	–
Over 365 days	240	698
	7,591	6,840
Less: Allowance for doubtful debts	–	(215)
	7,591	6,625

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 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Trade payables	32,401	21,919
Other payables	27,786	25,404
	60,187	47,323

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Trade payables		
Age		
0 to 90 days	9,036	4,192
91 to 180 days	4,997	17,421
181 to 365 days	3,736	–
Over 365 days	14,632	306
	32,401	21,919

11. Pledged Bank Deposits

The Group had pledged bank deposits for the six months ended 30 September 2008 of approximately HK\$5,239,000 to secure the short-term bank loan of the Group. (31 March 2008: approximately HK\$5,212,000). No secured short-term bank loan was drawn down during the six months ended 30 September 2008.

12. Share Capital

	Number of Ordinary Shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each at 30 September 2008	<u>5,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each at 30 September 2008	<u>1,798,044,795</u>	<u>89,902</u>

13. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results of the Group for the six months ended 30 September 2008 have shown improvement in turnover compared with the corresponding period ended 30 September 2007. Turnover of the Group for the six months ended 30 September 2008 was approximately HK\$103,725,000 in comparison with a turnover of approximately HK\$66,082,000 in 2007, representing an increase of approximately 57%. Net profit attributable to equity holders for the six months ended 30 September 2008 was approximately HK\$10,727,000 in comparison with a net profit of approximately HK\$14,452,000 in 2007. The improvement in revenue for the six months ended 30 September 2008 was mainly driven by the increased contribution in turnover by the provision of general hospital services in the PRC.

Administrative expenses for the six months ended 30 September 2008 was approximately HK\$33,918,000 which was an increase of approximately 74% as compared with the corresponding period ended 30 September 2007. The increase was due to the increase of professional and operating expenses incurred from the acquisition and operation of the hospitals in the PRC during the period.

Business Review and Outlook

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, cosmetic surgery, dermatology department and medical checkup and examination. The turnover contributed by Hero Vision Enterprises Limited and its subsidiaries for the six months ended 30 September 2008 was approximately HK\$35,610,000. (2007: approximately HK\$23,325,000)

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 for the six months ended 30 September 2008 was approximately HK\$29,260,000. (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 for the six months ended 30 September 2008 was approximately HK\$12,317,000. (2007: Nil)

On 14 April 2008, the Group had completed the acquisition of the entire equity interest of United First Investments Limited. United First Investments Limited indirectly has 100% control of Fuzhou Hui Hao Dental Hospital Company Limited, a privately-run dental hospital established in Fuzhou, the PRC which provides comprehensive dental specialty services including cosmetic dentistry, dental implant, orthodontic treatment, and dental surgery etc. The turnover contributed by United First Investments Limited and its subsidiaries for the six months ended 30 September 2008 was approximately HK\$551,000. (2007: Nil)

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 turnover contributed by Large Forever Group Limited and its subsidiaries for the six months ended 30 September 2008 was approximately HK\$16,193,000. (2007: Nil)

On 17 July 2008, the Group had completed the acquisition of the entire equity interest of Smart Peak Limited. Smart Peak Limited indirectly has 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 turnover contributed by Smart Peak Limited and its subsidiaries for the six months ended 30 September 2008 was approximately HK\$532,000. (2007: Nil)

Healthcare and hospital management services

The Group provides healthcare management and training and consultancy for hospitals in the PRC through Fujian Maidsen Enterprises Company 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 six months ended 30 September 2008 was approximately HK\$9,262,000. (2007: approximately HK\$22,000,000)

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.

Liquidity and Financial Resources

The Group had total cash and bank balances of approximately HK\$64,283,000 as at 30 September 2008 (31 March 2008: approximately HK\$78,134,000).

The gearing ratio (calculated as total debts divided by total assets) of the Group as at 30 September 2008 was approximately 0.18 (31 March 2008: approximately 0.16).

The Group recorded total current assets of approximately HK\$145,298,000 as at 30 September 2008 (31 March 2008: approximately HK\$230,299,000) and total current liabilities of approximately HK\$112,503,000 as at 30 September 2008 (31 March 2008: approximately HK\$62,134,000). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.29 as at 30 September 2008 (31 March 2008: approximately 3.71).

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 RMB880,000 (equivalent to approximately HK\$1,000,000) for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 (equivalent to approximately HK\$398,000) 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 30 September 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 30 September 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).

Treasury Policies

The Group generally finances its operations with internal resources.

Foreign Currency Exposure

During the six months ended 30 September 2008, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly in Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be immaterial, the Group did not employ any financial instrument for hedging purposes.

Employee Information

As at 30 September 2008, the Group had 877 (31 March 2008: 587) full time employees. During the six months ended 30 September 2008, the staff costs, including Directors' remuneration, totalled approximately HK\$10,615,000 (31 March 2008: approximately HK\$12,372,000). 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 2008.

DISCLOSURE OF INTERESTS

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

As at 30 September 2008, 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)	375,706,000	Long	20.90%
	Personal interest	6,187,500	Long	0.34%
Mr. Zheng Gang	Personal interest	3,600,000	Long	0.20%
Ms. Shum Ngai Pan	Personal interest	5,400,000	Long	0.30%

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
Dr. 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
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

Save as disclosed above, as at 30 September 2008, 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 2008, 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:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Easeglory Holdings Limited (Note 1)	375,706,000	Long	Beneficial owner	20.90%
Ms. Yung Muk Ying (Note 1)	390,935,585	Long	Interest of spouse	21.74%
Mr. Lau Kam Shui (Note 2)	264,070,000	Long	Beneficial owner	14.69%
Ms. Lau Yuk Lan (Note 2)	264,070,000	Long	Interest of spouse	14.69%

- Notes:
- 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 375,706,000 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.
 - 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 30 September 2008, 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 2008, there were 149,910,577 outstanding share options, of which, 1,368,822 and 148,541,755 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 2008 were as follows:

(i) Pre-IPO scheme

As at 30 September 2008, 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:

Categories of grantees	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 148,541,755 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 2008, a breakdown setting out the number of share options outstanding, their respective exercise price and exercise period was as follows:

Categories of grantees	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
Dr. 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
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
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	16,342,755
	21 March 2007 to 20 March 2017	HK\$0.51	71,800,000
Total			148,541,755

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.

Dr. 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.

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.

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 Prof. 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.

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

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2008.

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 2008.

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 2008 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 Prof. Yu Chai Mei, all of them are the independent non-executive Directors of the Company.

The role and function of the remuneration committee include the determination of the specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

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 2008.

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

Hong Kong, 12 November 2008

As at the date of this report, the executive Directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Zheng Gang, Ms. Shum Ngai Pan and Mr. Chen Jin Shan, 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 Prof. Yu Chai Mei.