



**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 2009**

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

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\* For identification purpose 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 2009 were as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	<i>Notes</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>Continuing operations</b>			
Turnover	4	<b>170,087</b>	114,165
Cost of sales		<b>(72,750)</b>	(39,574)
Gross profit		<b>97,337</b>	74,591
Other revenue	4	<b>422</b>	3,351
Other income	5	<b>2,085</b>	6,901
Selling and distribution expenses		<b>(19,426)</b>	(5,692)
Administrative expenses		<b>(50,416)</b>	(35,602)
Impairment loss on goodwill		<b>(202,547)</b>	(30,318)
Loss on disposal of subsidiaries		<b>(3,865)</b>	(14,580)
Loss from operations	5	<b>(176,410)</b>	(1,349)
Finance costs		<b>(1,822)</b>	(3,405)
Loss before taxation		<b>(178,232)</b>	(4,754)
Taxation	6	<b>(12,228)</b>	(6,176)
Loss for the year from continuing operations		<b>(190,460)</b>	(10,930)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		–	3,157
Loss for the year		<b>(190,460)</b>	(7,773)
Attributable to:			
Equity holders of the Company		<b>(200,548)</b>	(17,891)
Minority interest		<b>10,088</b>	10,118
		<b>(190,460)</b>	(7,773)
Dividends	8	–	–
Loss per share for loss attributable to the equity holders of the Company during the year			
From continuing and discontinued operations			
– basic	7	<b>HK(10.35) cents</b>	HK(1.06) cents
– diluted	7	<b>HK(10.35) cents</b>	HK(1.06) cents
From continuing operations			
– basic	7	<b>HK(10.35) cents</b>	HK(1.24) cents
– diluted	7	<b>HK(10.35) cents</b>	HK(1.24) cents

# CONSOLIDATED BALANCE SHEET

At 31 March 2009

	<i>Notes</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>43,668</b>	31,418
Prepaid lease payments		<b>28,989</b>	26,880
Goodwill		<b>206,585</b>	298,052
		<u><b>279,242</b></u>	<u>356,350</u>
<b>Current assets</b>			
Inventories		<b>3,696</b>	2,621
Trade and other receivables and deposits	<i>9</i>	<b>18,275</b>	140,819
Derivative financial instruments		<b>3</b>	514
Amount due from an associate		<b>–</b>	2,999
Pledged bank deposits		<b>5,255</b>	5,212
Cash and bank balances		<b>88,506</b>	78,134
		<u><b>115,735</b></u>	<u>230,299</u>
<b>Total assets</b>		<u><b>394,977</b></u>	<u>586,649</u>
<b>EQUITY:</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>224,756</b>	89,902
Reserves		<b>103,067</b>	387,900
		<b>327,823</b>	477,802
<b>Minority interests</b>		<u><b>28,239</b></u>	<u>26,682</u>
<b>Total equity</b>		<u><b>356,062</b></u>	<u>504,484</u>

	<i>Notes</i>	<b>2009</b> <b><i>HK\$'000</i></b>	2008 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>30,607</b>	47,323
Amounts due to minority shareholders		<b>540</b>	389
Convertible notes		<b>6,469</b>	2,388
Tax payable		<b>1,118</b>	510
		<u><b>38,734</b></u>	<u>50,610</u>
<b>Long-term liabilities</b>			
Convertible notes		–	31,374
Deferred taxation		<b>181</b>	181
		<u><b>181</b></u>	<u>31,555</u>
<b>Total liabilities</b>		<u><b>38,915</b></u>	<u>82,165</u>
<b>Total equity and liabilities</b>		<u><b>394,977</b></u>	<u>586,649</u>
<b>Net current assets</b>		<u><b>77,001</b></u>	<u>179,689</u>
<b>Total assets less current liabilities</b>		<u><b>356,243</b></u>	<u>536,039</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

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 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)
Lapsed of share option	-	-	-	-	-	(54)	-	-	-	54	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	753	(753)	-	-
Total equity at 31 March 2008 and 1 April 2008	89,902	425,169	-	(6,735)	1,461	4,658	24,693	-	753	(62,099)	26,682	504,484
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	6,438	-	-	-	-	-	704	7,142
Net income recognised directly in equity	-	-	-	-	6,438	-	-	-	-	-	704	7,142
Loss for the year	-	-	-	-	-	-	-	-	-	(200,548)	10,088	(190,460)
Total loss for the year	-	-	-	-	6,438	-	-	-	-	(200,548)	10,792	(183,318)
Issue of shares	44,952	-	-	-	-	-	-	-	-	-	-	44,952
Bonus issue of shares	89,902	(89,902)	-	-	-	-	-	-	-	-	-	-
Increase in minority interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	4,705	4,705
Dividend paid	-	-	-	-	-	-	-	-	-	-	(13,940)	(13,940)
Release upon redemption of convertible notes	-	-	-	-	-	-	(20,245)	-	-	19,424	-	(821)
Transfer to reserve	-	-	-	-	-	-	-	-	534	(534)	-	-
Total equity at 31 March 2009	224,756	335,267	-	(6,735)	7,899	4,658	4,448	-	1,287	(243,757)	28,239	356,062

*Notes:*

- (a) Included in 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 the 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 2009

## 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.

## 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 April 2008. A summary of the new HKFRSs are set out as below:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

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 Company has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Company is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

HKFRSs (Amendment)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combination <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period 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 financial position of the Company.



### 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 and the PRC, 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	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Continuing operations</b>				
Hong Kong	–	653	–	(3,741)
PRC	<u>170,087</u>	<u>113,512</u>	<u>(157,118)</u>	<u>12,086</u>
	<u>170,087</u>	<u>114,165</u>	<u>(157,118)</u>	<u>8,345</u>
<b>Discontinued operations</b>				
PRC	–	15,572	–	2,148
Korea	–	6,206	–	1,017
	–	<u>21,778</u>	–	<u>3,165</u>
	<u>170,087</u>	<u>135,943</u>	<u>(157,118)</u>	<u>11,510</u>
Unallocated other revenue			<b>422</b>	3,351
Unallocated other income			<b>2,085</b>	6,901
Unallocated corporate expenses			<u>(21,799)</u>	<u>(19,946)</u>
(Loss)/profit from operations			<u>(176,410)</u>	1,816
Finance costs			<u>(1,822)</u>	<u>(3,405)</u>
Loss before taxation			<u>(178,232)</u>	(1,589)
Taxation			<u>(12,228)</u>	<u>(6,184)</u>
Loss for the year			<u>(190,460)</u>	<u>(7,773)</u>

## Consolidated balance sheet

	Segment assets		Segment liabilities	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>41,991</b>	154,894	<b>11,999</b>	24,159
PRC	<b>352,986</b>	431,755	<b>26,916</b>	58,006
	<b>394,977</b>	586,649	<b>38,915</b>	82,165
Unallocated	—	—	—	—
	<b>394,977</b>	586,649	<b>38,915</b>	82,165

## Other information

	Capital additions		Depreciation and amortisation	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>				
Hong Kong	<b>2,475</b>	—	<b>543</b>	162
PRC	<b>11,161</b>	64,532	<b>11,048</b>	5,371
	<b>13,636</b>	64,532	<b>11,591</b>	5,533
<b>Discontinued operations</b>				
PRC	—	—	—	1,290
Korea	—	—	—	233
	—	—	—	1,523
	<b>13,636</b>	64,532	<b>11,591</b>	7,056

	Loss on disposal of property, plant and equipment		Provision for impairment loss on trade and other receivables	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>				
PRC	10	229	1,381	–
Hong Kong	–	–	–	–
	<u>10</u>	<u>229</u>	<u>1,381</u>	<u>–</u>
<b>Discontinued operations</b>				
PRC	–	351	–	–
	<u>10</u>	<u>580</u>	<u>1,381</u>	<u>–</u>

	Impairment of goodwill	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
PRC	<u>202,547</u>	<u>30,318</u>
<b>Discontinued operations</b>		
Korea	<u>–</u>	<u>–</u>
	<u>202,547</u>	<u>30,318</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 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 sales of melamine and its related products business.

### 2009

	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>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	–	155,719	14,368	–	170,087
Segment assets	–	315,218	37,768	41,991	394,977
Capital additions	–	10,679	482	2,475	13,636

### 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	653	67,759	45,753	6,206	15,572	–	135,943
Segment assets	1,674	402,846	14,119	–	–	168,010	586,649
Capital additions	–	64,532	–	–	–	–	64,532

#### 4. TURNOVER AND REVENUE

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the manufacture and sales of environmental protection products, provision of general hospital and healthcare and hospital management services. An analysis of the Group's turnover and other revenue, for both continuing and discontinued operations, is as follows:–

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b><i>Continuing operations</i></b>		
<b>Turnover:</b>		
Manufacture and sales of environmental protection products	–	653
Provision of general hospital services	<b>155,719</b>	67,759
Provision of healthcare and hospital management services	<b>14,368</b>	45,753
	<u><b>170,087</b></u>	<u>114,165</u>
<b><i>Discontinued operations</i></b>		
<b>Turnover:</b>		
Manufacture and sales of melamine and its related products	–	15,572
Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services	–	6,206
	<u>–</u>	<u>21,778</u>
	<u><b>170,087</b></u>	<u>135,943</u>
<b><i>Continuing operations</i></b>		
<b>Other revenue:</b>		
Interest income	<b>422</b>	2,555
Sundry income	–	796
	<u><b>422</b></u>	<u>3,351</u>
<b><i>Discontinued operations</i></b>		
<b>Other revenue:</b>		
Interest income	–	87
	<u><b>422</b></u>	<u>3,438</u>

## 5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Directors' remuneration	2,419	2,004	–	–	2,419	2,004
Other staff's retirement benefits scheme contributions	2,604	88	–	–	2,604	88
Other staff costs	11,637	7,831	–	2,449	11,637	10,280
	<u>16,660</u>	<u>9,923</u>	<u>–</u>	<u>2,449</u>	<u>16,660</u>	<u>12,372</u>
Auditors' remuneration	1,048	880	–	–	1,048	880
Provision for impairment losses of trade and other receivables	1,381	–	–	–	1,381	–
Provision for obsolete inventories	–	592	–	–	–	592
Cost of goods sold	–	473	–	17,784	–	18,257
Amortisation of prepaid lease payments	962	727	–	–	962	727
Depreciation of property, plant and equipment owned by the Group	10,629	4,806	–	1,523	10,629	6,329
Loss on disposal of property, plant and equipment	10	229	–	351	10	580
Operating lease rentals in respect of land and buildings	6,211	2,315	–	–	6,211	2,315
Derecognition of derivative financial instruments	–	188	–	–	–	188
Loss on disposal of subsidiaries	<u>3,856</u>	<u>14,580</u>	<u>–</u>	<u>–</u>	<u>3,856</u>	<u>14,580</u>
<b>and after crediting:</b>						
Other income:						
Gain on disposal of subsidiaries	–	–	–	4,634	–	4,634
Net exchange gain	2,085	6,759	–	–	2,085	6,759
Reversal of trade and other payables	–	142	–	–	–	142
	<u>2,085</u>	<u>6,901</u>	<u>–</u>	<u>4,634</u>	<u>2,085</u>	<u>11,535</u>

## 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	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:						
Provision for the year						
– PRC	12,228	6,496	–	8	12,228	6,504
Deferred tax recognised during the year	–	(320)	–	–	–	(320)
	<u>12,228</u>	<u>6,176</u>	<u>–</u>	<u>8</u>	<u>12,228</u>	<u>6,184</u>

## 7. LOSS PER SHARE

### From continuing and discontinued operations

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to equity holders of the Company	(200,548)	(17,891)
Interest expense on convertible notes (net of tax)	–	–
Loss for the purpose of diluted loss per share	<u>(200,548)</u>	<u>(17,891)</u>
	2009	2008
Weighted average number of ordinary shares in issue	1,938,440,073	1,694,741,344
Adjustments for assumed exercise of share options	–	–
Adjustments for assumed conversion of convertible notes	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,938,440,073</u>	<u>1,694,741,344</u>

## From continuing operations

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

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss attributable to equity holders of the Company	<b>(200,548)</b>	(17,891)
<i>Add:</i> Profit for the year from discontinued operations	<u>—</u>	<u>(3,157)</u>
	<b>(200,548)</b>	(21,048)
Interest expense on convertible notes (net of tax)	<u>—</u>	<u>—</u>
Loss for the purpose of diluted loss per share	<b><u>(200,548)</u></b>	<b><u>(21,048)</u></b>

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

## From discontinued operations

For the year ended 31 March 2008, basic earnings per share for the discontinued operations is HK0.19 cents per share and diluted earnings per share for the discontinued operations is HK0.19 cents per share, based on the profit for the year from the discontinued operations of approximately HK\$3,157,000 and the denominators detailed above for both basic and diluted loss per shares.

The calculation of diluted loss per share for both continuing and discontinued operations did not assume the exercise of the convertible notes and share options existed at 31 March 2009 and 2008 as the exercise of convertible notes and share options would reduce loss per share, therefore anti-dilutive.



## 8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2009 (2008: Nil).

## 9. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	2,135	6,625
Deposits paid under a conditional sale and purchase agreement	–	68,600
Deposits paid	181	19,604
Prepayments	13,228	10,406
Prepaid lease payments	972	872
Other receivables	<u>1,759</u>	<u>34,712</u>
	<u><b>18,275</b></u>	<u><b>140,819</b></u>

Payment terms with customers from the manufacture and sales of environmental protection products are mainly on credit together with deposits and receivable by instalments 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 3 years of issuance. Payments term with customers from general hospital services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables at the balance sheet date:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 to 90 days	1,382	5,761
91 to 180 days	542	381
181 to 365 days	106	–
Over 365 days	<u>1,701</u>	<u>698</u>
	3,731	6,840
<i>Less: Allowance for doubtful debts</i>	<u>(1,596)</u>	<u>(215)</u>
	<u><b>2,135</b></u>	<u><b>6,625</b></u>

## 10. TRADE AND OTHER PAYABLES

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>12,453</b>	21,919
Accruals and other payables	<b>18,154</b>	25,404
	<b><u>30,607</u></b>	<u>47,323</u>

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

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 90 days	<b>5,687</b>	4,192
91 to 180 days	<b>6,271</b>	17,421
181 to 365 days	<b>82</b>	–
Over 365 days	<b>413</b>	306
	<b><u>12,453</u></b>	<u>21,919</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial highlights

Summary of the results of the Group for the financial year ended 31 March 2009 is as follows:

- Turnover of the continuing operations was approximately HK\$170.087 million as compared to a turnover of approximately HK\$114.165 million for the previous year.
- Gross profit of the continuing operations was approximately HK\$97.337 million as compared to a gross profit of approximately HK\$74.591 million for the previous year.
- Net loss attributable to equity holders of the Company was approximately HK\$200.548 million as compared to a net loss attributable to equity holders of approximately HK\$17.891 million for the previous year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

### Business review

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Results of the Group for the year ended 31 March 2009 have shown improvement in turnover compared with the previous year. Turnover of the continuing operations of the Group for the year was approximately HK\$170.087 million in comparison with HK\$114.165 million in 2008. The improvement in revenue for the year ended 31 March 2009 was mainly driven by the contribution in turnover generated from the PRC hospitals acquired during the year. Gross profit of the Group was approximately HK\$97.337 million in comparison with HK\$74.591 million in 2008.

Net loss attributable to the equity holders of the Company for the year ended 31 March 2009 was approximately HK\$200.548 million (2008: approximately HK\$17.891 million). Such increase in the net loss was mainly due to the impairment loss on the goodwill of approximately HK\$202.547 million which arised during the acquisition of the hospitals in the PRC.

Selling and distribution expenses for the year ended 31 March 2009 to approximately HK\$19.426 million as compared to approximately HK\$5.692 million 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 2009 amounted to approximately HK\$50.416 million (2008: approximately HK\$35.602 million). The increases were due to the professional expenses incurred for the fund raising activities and the administrative expenses for the increased number of general hospitals in operation during the year.

## ***Business Review and Outlook***

### *General hospital services*

During the year ended 31 March 2009, the Group has 5 general hospitals in operation in different cities of the PRC. A brief summary setting out their services and turnover was as follows:

- 1) Chongqing Edward Hospital Company Limited (the “Chongqing Edward Hospital”), 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 Chongqing Edward Hospital in these services for the year ended 31 March 2009 was approximately HK\$67.531 million (2008: approximately HK\$55.753 million).
- 2) Jiaxing City Shuguang Western and Chinese Composite Hospital Limited (the “Jiaxing Shuguang Hospital”), 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 Jiaxing Shuguang Hospital in these services for the year ended 31 March 2009 was approximately HK\$42.530 million (2008: from 8 October 2007 to 31 March 2008 was approximately HK\$11.814 million).

- 3) Foshan Qide Hospital, is a privately-run hospital established in Foshan, the PRC by Foshan Qide Hospital Limited, which provides general hospital services including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit, emergency and accident unit and medical checkup and examination. The turnover contributed by Foshan Qide Hospital in these services for the year ended 31 March 2009 was approximately HK\$17.699 million (2008: from 28 February 2008 to 31 March 2008 was approximately HK\$0.192 million).
- 4) Shangrao Xiehe Hospital, is a privately-run hospital established in Shangrao, the PRC by Shangrao City Xiehe Hospital Company Limited, which provides general hospital services including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit and Chinese medical treatments. The turnover contributed by Shangrao Xiehe Hospital from 5 May 2008 (completion date of the acquisition) to the year ended 31 March 2009 was approximately HK\$24.448 million (2008: Nil).
- 5) Bengbu Aomeijia Female Hospital, a privately-run hospital established in Anhui, the PRC which provides general hospital services including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit, emergency and accident unit and medical checkup and examination. The turnover contributed by Bengbu Aomeijia Female Hospital from 12 June 2008 (completion date of the acquisition) to the year ended 31 March 2009 was approximately HK\$2.431 million (2008: 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 year ended 31 March 2009 was approximately HK\$14.262 million (2008: approximately HK\$45.753 million).

#### *Future Prospects*

The directors expect that the global economic environment will remain challenging for the rest of 2009. The management has noticed the results of the Group for the year ended 31 March 2009 was less favourable than the previous year. Although the challenges remain, the management of the Group will adopt to the changing business environment with effective and efficient measures and continue to keep focus on its core healthcare business in the PRC. The directors remain optimistic about the promising healthcare sector in the PRC for the long-run 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\$88.506 million as at 31 March 2009 (2008: approximately HK\$78.134 million). The increase in cash and bank balances were mostly due to the completion of the open offer with bonus shares in March 2009 which raised in aggregate approximately HK\$44.95 million for the Company. For the year ended 31 March 2009, the Group paid approximately HK\$117.60 million as cash consideration for the acquisition of two privately-run hospitals in the PRC.

The Group recorded total current assets of approximately HK\$115.735 million as at 31 March 2009 (2008: approximately HK\$230.299 million) and total current liabilities of approximately HK\$38.734 million as at 31 March 2009 (2008: approximately HK\$50.610 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.988 as at 31 March 2009 (2008: approximately 4.550).

## **Acquisitions and disposals of subsidiaries**

Summary of the Group's material acquisitions and disposals for the year ended 31 March 2009 is as follows:

- 1) On 5 May 2008, the Group 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 City Xiehe Hospital Company Limited, which provides general hospital services including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit and Chinese medical treatments. The total consideration of HK\$68.60 million was settled by cash.
- 2) On 17 July, 2008 the Group completed the acquisition of the entire equity interest of Smart Peak Limited. Smart Peak Limited indirectly has 100% control of Bengbu Aomeigia Female Hospital, a privately-run hospital established in Anhui, the PRC which provides general hospital services including but not limited to medicine ward, surgical ward, gynecology, 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 was settled by cash.
- 3) On 30 March 2009, the Group disposed the entire equity interest of United First Investments Limited which indirectly has 100% control of Fuzhou Hui Hao Dental Hospital Company Limited (the "Fuzhou Hui Hao Dental Hospital") to an independent third party (as defined in the GEM Listing Rules) for a cash consideration of HK\$2 million. Fuzhou Hui Hao Dental Hospital is 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. The turnover contributed by Fuzhou Hui Hao Dental Hospital for the year ended 31 March 2009 was approximately HK\$1.186 million (2008: Nil).

## **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 2009, 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 2009, 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 (2008: Nil).

## **Foreign exchange Risk**

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had 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 2009, the Group had no bank-borrowing outstanding balances. A time deposit of the Group of approximately HK\$5.255 million has been pledged to a bank in Hong Kong to secure banking facilities granted to the Group.

## **Segment information**

During the year, the revenue of the Group was principally generated from: (1) provision of general hospital services; and (2) provision of healthcare and hospital management service. Geographically, the Group has expanded business operations into the cities of Shangrao and Bengbu in the PRC.

## **Capital structure**

As at 31 March 2009, the total issued share capital of the Company was approximately HK\$224.756 million (2008: approximately HK\$89.902 million) divided into 4,495,111,986 ordinary shares (2008: 1,798,044,795 ordinary shares) of HK\$0.05 each.

## **Employee information**

As at 31 March 2009, the Group had 670 (2008: 587) full time employees (including directors) as shown in the following table:

<b>Location</b>	<b>Number of Staff</b>
Hong Kong	16
PRC (including cities of Beijing, Fuzhou, Chongqing, Jiaxing, Foshan, Shangrao and Bengbu)	654

For the year ended 31 March 2009, staff costs (including directors emoluments) amounted to approximately HK\$16.660 million (2008: approximately HK\$12.372 million). 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 ended 31 March 2009, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **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 2009 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 2009 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 2009

*As at the date of this announcement, the executive directors are Mr. Yung Kwok Leong, Dr. 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 Prof. Yu Chai Mei.*

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