



**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)**

## **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2009**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.**

**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 announcement, for which the directors (the “Directors”) of Hua Xia Healthcare Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$29,648,000 for the three months ended 30 June 2009 as compared to a total turnover of approximately HK\$47,416,000 recorded in the corresponding period in 2008, representing a decrease of approximately 37%.
- The Group has recorded the profit attributable to equity holders for the three months ended 30 June 2009 of approximately HK\$2,133,000 as compared to the profit attributable to equity holders of approximately HK\$4,130,000 recorded in the corresponding period in 2008, representing a decrease of approximately 48%.
- The basic and diluted earnings per share of the Company for the three months ended 30 June 2009 were both approximately HK0.05 cents (2008: approximately HK0.23 cents and HK0.21 cents respectively).
- The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2009 (2008: Nil).

## FINANCIAL RESULTS

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 ended 30 June 2009, together with the unaudited comparative figures for the corresponding period in 2008 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2009

		Unaudited	
		Three months ended	
		30 June	
		2009	2008
	Notes	HK\$'000	HK\$'000
<b>TURNOVER</b>	3	<b>29,648</b>	47,416
Cost of sales		<u>(12,397)</u>	<u>(14,093)</u>
Gross profit		<b>17,251</b>	33,323
Other income		<b>7,813</b>	1,141
Selling and distribution costs		<b>(5,420)</b>	(5,597)
Administrative expenses		<u>(17,231)</u>	<u>(16,078)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>2,413</b>	12,789
Finance costs		<u>(126)</u>	<u>(264)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>2,287</b>	12,525
Taxation	4	<u>(597)</u>	<u>(4,253)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>1,690</b></u>	<u>8,272</u>
<b>Other comprehensive income:</b>			
Exchange differences arising on translating foreign operations		<u>(341)</u>	<u>1,222</u>
Other comprehensive income for the period		<u>(341)</u>	<u>1,222</u>
<b>Total comprehensive income for the period</b>		<u><b>1,349</b></u>	<u>9,494</u>

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2009</b>	2008
<i>Notes</i>		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Profit for the period attributable to:</b>			
	Equity holders of the Company	<b>2,133</b>	4,130
	Non-controlling interests	<b>(443)</b>	4,142
		<u><b>1,690</b></u>	<u>8,272</u>
<b>Total comprehensive income attributable to:</b>			
	Equity holders of the Company	<b>1,402</b>	9,036
	Non-controlling interests	<b>(53)</b>	458
		<u><b>1,349</b></u>	<u>9,494</u>
<b>DIVIDENDS</b>	<i>7</i>	<u><b>–</b></u>	<u>–</u>
<b>EARNINGS PER SHARE</b>			
– Basic ( <i>cents</i> )	<i>5</i>	<u><b>0.05</b></u>	<u>0.23</u>
– Diluted ( <i>cents</i> )	<i>5</i>	<u><b>0.05</b></u>	<u>0.21</u>

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2009

## 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 principally engaged in the provision of general hospital and healthcare and hospital management services in the People's Republic of China (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 June 2009 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2009.

## 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 and hospital management services.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Provision of general hospital services	<b>29,449</b>	42,677
Provision of healthcare and hospital management services	<b>199</b>	4,739
	<b>29,648</b>	47,416

#### 4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2008: Nil).

Corporate income tax of approximately 26% has been provided for the profit generated from the general hospital and healthcare and hospital management services in the PRC (2008: approximately 34%).

#### 5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2009 was based on the profit attributable to equity holders of approximately HK\$2,133,000 (2008: approximately HK\$4,130,000) and on the weighted average number of 4,495,111,986 shares (2008: 1,798,044,795 shares).

Diluted earnings per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months ended 30 June 2009, the Company had two categories of dilutive potential ordinary shares: convertible notes and share options.

The convertible notes are assumed to have been converted into ordinary shares and the profit attributable to equity holders is adjusted to eliminate the interest expense 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.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to equity holders of the Company	<b>2,133</b>	4,130
Interest expense on convertible notes (net of tax)	<b>32</b>	189
Profit for the purpose of diluted earnings per share	<b><u>2,165</u></b>	<b><u>4,319</u></b>
	<b>2009</b>	<b>2008</b>
Weighted average number of ordinary shares in issue	<b>4,495,111,986</b>	1,798,044,795
Adjustments for assumed exercise of share options	<b>244,226,937</b>	149,910,577
Adjustments for assumed conversion of convertible notes	<b>30,805,687</b>	109,277,950
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>4,770,144,610</u></b>	<b><u>2,057,233,322</u></b>
	<b>2009</b>	<b>2008</b>
Diluted earnings per share	<b><u>HK0.05 cents</u></b>	<b><u>HK0.21 cents</u></b>

## 6. Capital and reserves (unaudited)

	Share capital <i>HK\$'000</i> <i>(Note (a))</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note (b))</i>	Translation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i> <i>(Note (c))</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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
Profit for the period	-	-	-	-	-	-	-	4,130	4,130	4,142	8,272
Increase in non-controlling interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	347	347
Transfer to reserve	-	-	-	1,292	-	-	-	-	1,292	-	1,292
<b>At 30 June 2008</b>	<b>89,902</b>	<b>425,169</b>	<b>(6,735)</b>	<b>2,753</b>	<b>4,658</b>	<b>24,693</b>	<b>753</b>	<b>(57,969)</b>	<b>483,224</b>	<b>31,171</b>	<b>514,395</b>
At 1 April 2009	224,756	335,267	(6,735)	7,899	4,658	4,448	1,287	(243,757)	327,823	28,239	356,062
Profit for the period	-	-	-	-	-	-	-	2,133	2,133	(443)	1,690
Transfer to reserve	-	-	-	741	-	-	-	-	741	25	766
<b>At 30 June 2009</b>	<b>224,756</b>	<b>335,267</b>	<b>(6,735)</b>	<b>8,640</b>	<b>4,658</b>	<b>4,448</b>	<b>1,287</b>	<b>(241,624)</b>	<b>330,697</b>	<b>27,821</b>	<b>358,518</b>

### Notes:

- (a) As at 30 June 2009, the number of ordinary shares of HK\$0.05 each issued and fully paid were 4,495,111,986 shares (2008: 1,798,044,795 shares).
- (b) 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.

- (c) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its 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.

## 7. Interim dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2009 (2008: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

Results of the Group for the three months ended 30 June 2009 was adversely affected by the global economic downturn when compared with the corresponding period in 2008. Turnover of the Group for the period was approximately HK\$29,648,000 in comparison with HK\$47,416,000 in 2008, representing a decrease of approximately 37%. Gross profit of the Group was approximately HK\$17,251,000 in comparison with HK\$33,323,000 in 2008, representing a decrease of approximately 48%.

Other income amounted to approximately HK\$7,813,000 in which approximately HK\$7,764,000 was recorded during the period ended 30 June 2009 from the vendors' compensation for the shortfalls of guaranteed profits.

Selling and distribution expenses for the three months ended 30 June 2009 to approximately HK\$5,420,000 as compared to approximately HK\$5,597,000 for the corresponding period in 2008.

Administrative expenses for the three months ended 30 June 2009 amounted to approximately HK\$17,231,000 as compared to approximately HK\$16,078,000 for the corresponding period in 2008. The increase was due to the professional expenses incurred from the fund raising activity.

## Business Review and Outlook

### *General hospital services*

During the three months ended 30 June 2009, the Group has five 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 three months ended 30 June 2009 was approximately HK\$17,075,000 (2008: approximately HK\$18,399,000).
- 2) Jiaxing City Shuguang Western and Chinese Composite Hospital Company 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 three months ended 30 June 2009 was approximately HK\$6,554,000 (2008: approximately HK\$14,141,000).



- 3) Foshan Qide Hospital, 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 three months ended 30 June 2009 was approximately HK\$2,075,000 (2008: approximately HK\$4,227,000).
- 4) Shangrao Xiehe Hospital, 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 for the three months ended 30 June 2009 was approximately HK\$2,820,000 (2008: approximately HK\$5,717,000).
- 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 for the three months ended 30 June 2009 was approximately HK\$925,000 (2008: Nil).

#### *Healthcare and hospital management services*

The Group provides healthcare management and training and consultancy for hospitals in the PRC through 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 three months ended 30 June 2009 was approximately HK\$199,000 (2008: approximately HK\$4,739,000).

#### **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 three months ended 30 June 2009 was less favourable than the corresponding period in 2008. 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.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2009, 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)	1,209,605,000	Long	26.91%
	Personal interest	15,468,750	Long	0.34%
Ms. Shum Ngai Pan	Personal interest	13,500,000	Long	0.3%
Mr. Zheng Gang	Personal interest	9,000,000	Long	0.2%

*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\$0.376	5,403,475	Long
	21 March 2007 to 20 March 2017	HK\$0.306	9,666,667	Long
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000	Long

<b>Name of Director</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options granted</b>	<b>Position</b>
Dr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600	Long
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000	Long
	30 September 2009 to 29 March 2019	HK\$0.050	8,000,000	Long
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000	Long
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.376	6,175,400	Long
	21 March 2007 to 20 March 2017	HK\$0.306	11,833,333	Long
	30 September 2009 to 29 March 2019	HK\$0.050	15,000,000	Long
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600	Long
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000	Long
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000	Long

Save as disclosed above, as at 30 June 2009, 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 June 2009, 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)	1,209,605,000	Long	Beneficial owner	26.91%
Ms. Yung Muk Ying (Note 1)	1,257,143,892	Long	Interest of spouse	27.97%
Mr. Lau Kam Shui (Note 2)	425,800,000	Long	Beneficial owner	9.47%
Ms. Lau Yuk Lan (Note 2)	425,800,000	Long	Interest of spouse	9.47%

Note: 1. The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and Chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 1,257,143,892 shares held by Easeglory Holdings Limited and 15,468,750 shares and 32,070,142 underlying shares beneficially held by Mr. Yung Kwok Leong in personal capacity by virtue of her being the spouse of Mr. Yung Kwok Leong.

2. Mr. Lau Kam Shui is interested in 425,800,000 shares. Ms. Lau Yuk Lan is deemed to be interested in 425,800,000 shares by virtue of her being the spouse of Mr. Lau Kam Shui.

Save as disclosed above, as at 30 June 2009, 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 June 2009, there were 415,226,937 outstanding share options, of which, 2,281,370 and 412,945,567 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 June 2009 were as follows:

### (i) Pre-IPO scheme

As at 30 June 2009, there were 2,281,370 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 open offer become unconditional on 12 March 2009 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 Group	25 April 2002 to 24 April 2012	HK\$0.245	2,281,370

**(ii) Post-IPO share option scheme**

On 12 July, 24 July 2006, 21 March 2007 and 30 March 2009 respectively, the Company passed Board resolutions pursuant to the Post-IPO scheme adopted on 20 April 2002 to grant a total of 412,945,567 share options to directors, consultants and employees of the Group. It was resolved that share options be offered to the directors, consultants and employees respectively with a 5 year and 10 year exercise period each commencing from 13 July, 24 July 2006, 21 March 2007 and 30 September 2009 respectively. The exercise prices of the share options granted on 13 July, 24 July 2006 and 21 March 2007 have been adjusted to HK\$0.376, HK\$0.372 and HK\$0.306 respectively as a result of the open offer become unconditional on 12 March 2009. A breakdown setting out the number of the share options outstanding, their respective exercise price and exercise period for the three months ended 30 June 2009 was as follows:

<b>Categories of grantees</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options outstanding</b>
<b>Directors</b>			
Mr. Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.376	5,403,475
	21 March 2007 to 20 March 2017	HK\$0.306	9,666,667
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Dr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000
	30 September 2009 to 29 March 2019	HK\$0.050	8,000,000
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.376	6,175,400
	21 March 2007 to 20 March 2017	HK\$0.306	11,833,333
	30 September 2009 to 29 March 2019	HK\$0.050	15,000,000
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000

<b>Categories of grantees</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of share options outstanding</b>
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$0.376	26,135,175
	24 July 2006 to 23 July 2016	HK\$0.372	27,127,650
	21 March 2007 to 20 March 2017	HK\$0.306	119,666,667
	30 September 2009 to 29 March 2014	HK\$0.050	97,000,000
Total			<u>412,945,567</u>

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

During the three months ended 30 June 2009, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the three months ended 30 June 2009.

## **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 June 2009.

## **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 June 2009 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 consists of four members and was established on 3 June 2005 in compliance with the code provision. The members include Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive Directors and Mr. Zheng Gang (committee chairman), the executive Director of the Company.

The roles and functions 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 members include Ms. Wong Ka Wai, Jeanne (committee chairlady), Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive Directors and Mr. Zheng Gang, the executive Director of the Company.

The Group's unaudited results for the three months ended 30 June 2009 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By order of the Board  
**Hua Xia Healthcare Holdings Limited**  
**Yung Kwok Leong**  
*Chairman*

Hong Kong, 11 August 2009



*As at the date of this announcement, the executive Directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Zheng Gang, Dr. Huang Jiaqing 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, Prof. Hu Shanlian and Prof. Lu Chuanzhen.*

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