



**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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\$63,921,000 for the six months ended 30 September 2009 as compared to a total turnover of approximately HK\$103,725,000 recorded in the corresponding period in 2008, representing a decrease of approximately 38%.
- The Group has recorded a net loss attributable to equity holders for the six months ended 30 September 2009 of approximately HK\$1,319,000 as compared to a net profit attributable to equity holders of approximately HK\$10,727,000 recorded in the corresponding period in 2008.
- The basic and diluted loss per share of the Company for the six months ended 30 September 2009 was approximately HK0.03 cents (2008: approximately HK0.60 cents (basic earnings per share) and approximately HK0.54 cents (diluted earnings per share) respectively).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## INTERIM 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 and six months ended 30 September 2009, together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2009

	Notes	Three months ended 30 September		Six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>TURNOVER</b>	3&4	<b>34,273</b>	56,309	<b>63,921</b>	103,725
Cost of sales		<u>(12,379)</u>	<u>(16,486)</u>	<u>(24,776)</u>	<u>(30,579)</u>
Gross profit		<b>21,894</b>	39,823	<b>39,145</b>	73,146
Other income		<b>37</b>	605	<b>7,850</b>	1,746
Selling and distribution costs		<b>(6,070)</b>	(4,812)	<b>(11,490)</b>	(10,409)
Administrative expenses		<u>(17,040)</u>	<u>(17,840)</u>	<u>(34,271)</u>	<u>(33,918)</u>
<b>(LOSS)/PROFIT FROM OPERATIONS</b>	5	<b>(1,179)</b>	17,776	<b>1,234</b>	30,565
Finance costs	6	<u>(877)</u>	<u>(279)</u>	<u>(1,003)</u>	<u>(543)</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(2,056)</b>	17,497	<b>231</b>	30,022
Taxation	7	<u>(284)</u>	<u>(5,264)</u>	<u>(881)</u>	<u>(9,517)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(2,340)</b></u>	<u>12,233</u>	<u><b>(650)</b></u>	<u>20,505</u>
<b>Other comprehensive (loss)/income:</b>					
Exchange differences arising on translating foreign operations		<b>130</b>	1,954	<b>(211)</b>	3,176
Other comprehensive (loss)/income for the period		<u><b>130</b></u>	<u>1,954</u>	<u><b>(211)</b></u>	<u>3,176</u>
<b>Total comprehensive (loss)/income for the period</b>		<u><b>(2,210)</b></u>	<u>14,187</u>	<u><b>(861)</b></u>	<u>23,681</u>

## Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2009

	Notes	Three months ended 30 September		Six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period attributable to:</b>					
Equity holders of the Company		(3,452)	6,597	(1,319)	10,727
Minority interest		1,112	5,636	669	9,778
		<u>(2,340)</u>	<u>12,233</u>	<u>(650)</u>	<u>20,505</u>
<b>Total comprehensive (loss)/income attributable to:</b>					
Equity holders of the Company		(2,344)	13,486	(942)	22,522
Minority interest		134	701	81	1,159
		<u>(2,210)</u>	<u>14,187</u>	<u>(861)</u>	<u>23,681</u>
<b>DIVIDENDS</b>	13	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>(LOSS)/EARNINGS PER SHARE</b>					
– Basic ( <i>cents</i> )	8	<u>(0.08)</u>	<u>0.37</u>	<u>(0.03)</u>	<u>0.60</u>
– Diluted ( <i>cents</i> )		<u>(0.07)</u>	<u>0.33</u>	<u>(0.03)</u>	<u>0.54</u>

**Condensed Consolidated Statement of Financial Position**  
*At 30 September 2009*

		<b>30 September 2009</b>	31 March 2009
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>68,569</b>	43,668
Prepaid lease payments		<b>2,855</b>	28,989
Goodwill		<b>206,571</b>	206,585
		<u><b>277,995</b></u>	<u>279,242</u>
<b>Current assets</b>			
Inventories		<b>3,553</b>	3,696
Trade and other receivables and deposits	9	<b>14,397</b>	18,275
Derivative financial instruments		<b>3</b>	3
Amount due from minority shareholders		<b>605</b>	–
Pledged bank deposits		<b>5,317</b>	5,255
Cash and bank balances		<b>84,513</b>	88,506
		<u><b>108,388</b></u>	<u>115,735</u>
<b>Total assets</b>		<u><b>386,383</b></u>	<u>394,977</u>
<b>EQUITY:</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>224,756</b>	224,756
Reserves		<b>103,744</b>	103,067
		<u><b>328,500</b></u>	<u>327,823</u>
<b>Minority interest</b>		<u><b>28,998</b></u>	<u>28,239</u>
<b>Total equity</b>		<u><b>357,498</b></u>	<u>356,062</u>

**Condensed Consolidated Statement of Financial Position**  
*At 30 September 2009*

		<b>30 September 2009</b>	31 March 2009
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>21,439</b>	30,607
Amount due to minority shareholders		<b>796</b>	540
Convertible notes		–	6,469
Tax payable		–	1,118
		<hr/>	<hr/>
		<b>22,235</b>	38,734
		<hr/>	<hr/>
<b>Long-term liabilities</b>			
Convertible notes		<b>6,469</b>	–
Deferred taxation		<b>181</b>	181
		<hr/>	<hr/>
		<b>6,650</b>	181
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>28,885</b>	38,915
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>386,383</b>	394,977
		<hr/>	<hr/>
<b>Net current assets</b>		<b>86,153</b>	77,001
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>364,148</b>	356,243
		<hr/>	<hr/>

**Unaudited Consolidated Statement of Changes in Equity**  
*For the six months ended 30 September 2009*

	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Special reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible notes reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note (c))	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
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	-	-	-	-	-	-	-	10,727	10,727	9,778	20,505
Increase in minority interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	321	321
Transfer to reserve	-	-	-	888	-	-	-	-	888	-	888
At 30 September 2008	<u>89,902</u>	<u>425,169</u>	<u>(6,735)</u>	<u>2,349</u>	<u>4,658</u>	<u>24,693</u>	<u>753</u>	<u>(51,372)</u>	<u>489,417</u>	<u>36,781</u>	<u>526,198</u>
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
(Loss) for the period	-	-	-	-	-	-	-	(1,319)	(1,319)	669	(650)
Transfer to reserve	-	-	-	1,226	770	-	-	-	1,996	90	2,086
At 30 September 2009	<u>224,756</u>	<u>335,267</u>	<u>(6,735)</u>	<u>9,125</u>	<u>5,428</u>	<u>4,448</u>	<u>1,287</u>	<u>(245,076)</u>	<u>328,500</u>	<u>28,998</u>	<u>357,498</u>

*Notes:*

- (a) As at 30 September 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.

**Condensed Consolidated Cash Flow Statement**  
*For the six months ended 30 September 2009*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash (used in)/inflow from operating activities	<b>(3,847)</b>	9,892
Net cash inflow/(used in) investing activities	<b>86</b>	(23,200)
Net cash used in financing activities	<b>(232)</b>	(543)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(3,993)</b>	(13,851)
Cash and cash equivalents at 1 April	<b>88,506</b>	78,134
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<b>84,513</b>	64,283
	<hr/>	<hr/>



**NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 September 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 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 condensed 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 2009 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2009.

The unaudited condensed consolidated results for the six months ended 30 September 2009 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 and hospital management services.

#### 4. Segment Information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The adoption of HKFRS 8 did not have significant effect on the Group’s reportable segments.

##### *Business segments*

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

	Three months ended		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
– Provision of general hospital services	33,819	51,786	63,268	94,463
– Provision of healthcare and hospital management services	454	4,523	653	9,262
	<u>34,273</u>	<u>56,309</u>	<u>63,921</u>	<u>103,725</u>
Results				
– Provision of general hospital services	21,464	35,530	38,525	64,355
– Provision of healthcare and hospital management services	430	4,293	620	8,791
	<u>21,894</u>	<u>39,823</u>	<u>39,145</u>	<u>73,146</u>
Unallocated other income	37	605	7,850	1,746
Unallocated corporate expenses	(23,110)	(22,652)	(45,761)	(44,327)
	<u>(1,179)</u>	<u>17,776</u>	<u>1,234</u>	<u>30,565</u>
(Loss)/profit from operations	(1,179)	17,776	1,234	30,565
Finance costs	(877)	(279)	(1,003)	(543)
	<u>(2,056)</u>	<u>17,497</u>	<u>231</u>	<u>30,022</u>
(Loss)/profit before taxation	(2,056)	17,497	231	30,022
Taxation	(284)	(5,264)	(881)	(9,517)
	<u>(2,340)</u>	<u>12,233</u>	<u>(650)</u>	<u>20,505</u>
(Loss)/profit for the period	(2,340)	12,233	(650)	20,505
(Loss)/profit attributable to:				
Equity holders of the Company	(3,452)	6,597	(1,319)	10,727
Minority interest	1,112	5,636	669	9,778
	<u>(2,340)</u>	<u>12,233</u>	<u>(650)</u>	<u>20,505</u>

## 5. (Loss)/Profit from Operations

	Three months ended 30 September		Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
(Loss)/profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	2,348	2,150	4,743	4,098
Operating lease rentals in respect of buildings	1,717	1,523	3,487	3,047
Staff costs (including Directors' remuneration)	6,375	5,841	12,801	10,615
	<u>10,440</u>	<u>9,514</u>	<u>21,031</u>	<u>17,760</u>

## 6. Finance Costs

	Three months ended 30 September		Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest expenses – Convertible notes	33	191	65	381
Bank interest and charges	74	88	168	162
Share-based payment expense	770	–	770	–
	<u>877</u>	<u>279</u>	<u>1,003</u>	<u>543</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 (2008: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the general hospital and healthcare and hospital management services in the PRC (2008: approximately 32%).

## 8. (Loss)/Earnings Per Share

The calculation of basic loss per share for the three months ended 30 September 2009 was based on the net loss of approximately HK\$(3,452,000) (2008: net profit of approximately HK\$6,597,000 and on the weighted average number of 4,495,111,986 shares (2008: 1,798,044,795 shares).

The calculation of basic earnings per share for the six months ended 30 September 2009 was based on the net loss of approximately HK\$(1,319,000) (2008: net profit of approximately HK\$10,727,000) and on the weighted average number of 4,495,111,986 shares (2008: 1,798,044,795 shares).

Diluted loss 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 2009, 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 loss 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.

	<b>Three months ended 30 September 2009 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 September 2009 HK\$'000 (Unaudited)</b>
Loss attributable to equity holders of the Company	(3,452)	(1,319)
Interest expense on unlisted convertible notes (net of tax)	33	65
	<u>(3,419)</u>	<u>(1,254)</u>
Loss used to determine diluted loss per share		
Weighted average number of ordinary shares in issue	4,495,111,986	4,495,111,986
Adjustments for assumed conversion of unlisted convertible notes	30,805,687	30,805,687
Adjustments for assumed exercise of share options	205,142,203	205,142,203
	<u>4,731,059,876</u>	<u>4,731,059,876</u>
Weighted average number of ordinary shares of diluted loss per share		
	<u>4,731,059,876</u>	<u>4,731,059,876</u>
	<b>Three months ended 30 September 2009</b>	<b>Six months ended 30 September 2009</b>
Diluted loss per share	<u>HK(0.07) cents</u>	<u>HK(0.03) cents</u>

## 9. Trade and Other Receivables

Payment terms with customers from general hospital and healthcare and hospital management services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Trade receivables	3,786	2,135
Deposits paid	185	181
Prepayments	6,784	13,228
Prepaid lease payments	972	972
Other receivables	2,670	1,759
	<u>14,397</u>	<u>18,275</u>

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Trade receivables		
<b>Age</b>		
0 to 90 days	1,503	1,382
91 to 180 days	575	542
181 to 365 days	57	106
Over 365 days	<u>1,651</u>	<u>1,701</u>
	<b>3,786</b>	3,731
<i>Less: Allowance for doubtful debts</i>	<u>-</u>	<u>(1,596)</u>
	<b><u>3,786</u></b>	<b><u>2,135</u></b>

#### 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 at the balance sheet date:

	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Trade payables	9,694	12,453
Accruals and other payables	<u>11,745</u>	<u>18,154</u>
	<b><u>21,439</u></b>	<b><u>30,607</u></b>
	<b>30 September 2009 HK\$'000 (Unaudited)</b>	31 March 2009 HK\$'000 (Audited)
Trade payables		
<b>Age</b>		
0 to 90 days	4,170	5,687
91 to 180 days	3,054	6,271
181 to 365 days	823	82
Over 365 days	<u>1,647</u>	<u>413</u>
	<b><u>9,694</u></b>	<b><u>12,453</u></b>

### 11. Pledged Bank Deposits

The Group had pledged bank deposits for the six months ended 30 September 2009 of approximately HK\$5,317,000 to secure the short-term bank loan of the Group. (31 March 2009: approximately HK\$5,255,000). No secured short-term bank loan was drawn down during the six months ended 30 September 2009.

### 12. Share Capital

	<b>Number of Ordinary Shares</b>	<b>Amount <i>HK\$'000</i></b>
Authorised:		
Ordinary shares of HK\$0.05 each at 30 September 2009	<u>10,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each at 30 September 2009	<u>4,495,111,986</u>	<u>224,756</u>

### 13. Dividends

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Results of the Group for the six months ended 30 September 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\$63,921,000 in comparison with HK\$103,725,000 in 2008, representing a decrease of approximately 38%. Gross profit of the Group was approximately HK\$39,145,000 in comparison with HK\$73,146,000 in 2008, representing a decrease of approximately 46%.

Other income amounted to approximately HK\$7,850,000 for the six months ended 30 September 2009 in which approximately HK\$7,764,000 was recorded in June 2009 from the vendor's compensation for the shortfalls of guaranteed profits.

Selling and distribution expenses for the six months ended 30 September 2009 to approximately HK\$11,490,000 as compared to approximately HK\$10,409,000 for the corresponding period in 2008 due to the increase in advertising expense for the hospitals.

Administrative expenses for the six months ended 30 September 2009 amounted to approximately HK\$34,271,000 as compared to approximately HK\$33,918,000 for the corresponding period in 2008.

### Business Review and Outlook

#### *General hospital services*

During the six months ended 30 September 2009, the Group has five general hospitals in operation in five 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 six months ended 30 September 2009 was approximately HK\$35,318,000 (2008: approximately HK\$35,610,000).
- 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 six months ended 30 September 2009 was approximately HK\$15,206,000 (2008: approximately HK\$29,260,000).

- 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 six months ended 30 September 2009 was approximately HK\$4,299,000 (2008: approximately HK\$12,317,000).
- 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 six months ended 30 September 2009 was approximately HK\$6,396,000 (2008: approximately HK\$16,193,000).
- 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 six months ended 30 September 2009 was approximately HK\$2,049,000 (2008: approximately HK\$532,000).

#### *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 and Fujian Maidsen Enterprises Company 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 2009 was approximately HK\$653,000 (2008: approximately HK\$9,262,000).

#### **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 six months ended 30 September 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.



On 14 October 2009, Zhuhai Zhongkangan Enterprises Management Limited (“Zhuhai Zhongkangan”), a wholly owned subsidiary of the Company, entered into the service agreement with Zheng Jianqing and Zhu Min and Zhuhai Jiulong Hospital Limited pursuant to which Zhuhai Zhongkangan agreed to provide hospital management service in relation to Zhuhai Jiulong Hospital for a term of 10 years. For details, please refer to the Company’s announcement dated 14 October 2009.

On 26 October 2009, the Company as purchaser entered into a conditional framework agreement (the “**Framework Agreement**”) with a connected person of the Company as vendor (the “**Vendor**”) in relation to the acquisition of a company to be wholly owned by the Vendor subject to the completion of the reorganisation of the target group which, immediately following the reorganisation, will be interested in 100% equity interests in the pharmaceutical wholesale business in the People’s Republic of China (the “**PRC**”) and 99.29% equity interests in various pharmaceutical retail chain stores in the PRC. The Framework Agreement legally binds the Company and the Vendor. The entering into of the Framework Agreement constitutes a very substantial acquisition and connected transaction on the part of the Company under Chapters 19 and 20 of the GEM Listing Rules. Trading in the shares of the Company was suspended from 9:30 a.m. on 27 October pending the release of an announcement in respect of, among other things, the Framework Agreement. For details, please refer to the Company’s announcement dated 2 November 2009.

### **Liquidity and Financial Resources**

The Group had total cash and bank balances of approximately HK\$84,513,000 as at 30 September 2009 (31 March 2009: approximately HK\$88,506,000).

The Group recorded total current assets of approximately HK\$108,388,000 as at 30 September 2009 (31 March 2009: approximately HK\$115,735,000) and total current liabilities of approximately HK\$22,235,000 as at 30 September 2009 (31 March 2009: approximately HK\$38,734,000). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 4.875 as at 30 September 2009 (31 March 2009: approximately 2.988).

### **Contingent liabilities**

As at 30 September 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. (31 March 2009: In early 2006, an action in the PRC has been taken out by Jiaxing City Triumph Electric Company Limited against 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.

On 15 April 2009, Zhejiang Province Jiaxing City Intermediate People's Court (the "Court") upheld that Jiaxing City Xin Kai Yuan Industrial Trading Company Limited was the legal registered owner of the Property in Dispute. The Court also ruled that the tenancy agreement entered into between Jiaxiang Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited was legally binding. The Court therefore dismissed the appeal lodged by and the claim made by Jiaxing City Triumph Electric Company Limited against Jiaxing Shuguang Hospital.

The above verdict was received by the Company on 9 November 2009).

### **Treasury Policies**

The Group generally finances its operations with internal resources.

### **Foreign Currency Exposure**

During the six months ended 30 September 2009, 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 2009, the Group had 849 (31 March 2009: 670) full time employees. During the six months ended 30 September 2009, the staff costs, including Directors' remuneration, totalled approximately HK\$12,801,000 (31 March 2009: approximately HK\$16,660,000). 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 2009.

## DISCLOSURE OF INTERESTS

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

As at 30 September 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%
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	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000	Long
Dr. Jiang Tao	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
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	HK\$0.050	10,000,000	Long
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000	Long

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

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Position</b>	<b>Capacity</b>	<b>Approximate percentage of the total issued shares</b>
Easeglory Holdings Limited (Note 1)	1,209,605,000	Long	Beneficial owner	26.91%
Ms. Yung Muk Ying (Note 1)	1,242,073,750	Long	Interest of spouse	27.63%
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 1,242,073,750 shares held by Easeglory Holdings Limited and 15,468,750 shares and 17,000,000 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 September 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 September 2009, there were 205,142,203 outstanding share options, of which, 2,281,370 and 202,860,833 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 2009 were as follows:

### (i) Pre-IPO scheme

As at 30 September 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 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 202,860,833 share options to Directors, consultants and employees of the Group. It was resolved that share options be offered to the Directors, consultants and employees of the Group respectively with a 5 year and 10 year exercise period each commencing from 13 July 2006, 21 March 2007 and 30 September 2009 respectively. The exercise price of the share options granted on 13 July 2006 and 21 March 2007 have been adjusted to HK\$0.376 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 six months ended 30 September 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	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Dr. Jiang Tao	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
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	HK\$0.050	10,000,000
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
<b>Employees and consultants of the Group</b>	13 July 2006 to 12 July 2016	HK\$0.376	11,027,500
	21 March 2007 to 20 March 2017	HK\$0.306	20,833,333
	30 September 2009 to 29 March 2019	HK\$0.050	102,000,000
Total			<u>202,860,833</u>

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

During the six months ended 30 September 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 six months ended 30 September 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 September 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 September 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 provisions. The members include Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive Directors of the Company and Mr. Zheng Gang (committee chairman), the executive Director 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 members include Ms. Wong Ka Wai, Jeanne (committee chairlady), Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive Directors of the Company.

The Group's unaudited results for the six months ended 30 September 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, 10 November 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).*