



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 2010**

**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 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 Hua Xia Healthcare Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

On behalf of the Company and its subsidiaries (collectively referred to as the “Group”), the board of directors (the “Board”) are pleased to present the audited financial results for the year ended 31 March 2010 together with the audited comparative figures for the year ended 31 March 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	5	179,765	170,087
Cost of sales		<u>(115,381)</u>	<u>(72,750)</u>
Gross profit		64,384	97,337
Other revenue	5	1,337	422
Other income	6	461	2,085
Selling and distribution expenses		(22,277)	(19,426)
Administrative expenses		(52,914)	(50,416)
Impairment loss on goodwill		(171,422)	(202,547)
Loss on disposal of subsidiaries		<u>(23,185)</u>	<u>(3,865)</u>
Loss from operations	6	(203,616)	(176,410)
Finance costs		<u>(1,297)</u>	<u>(1,822)</u>
Loss before taxation		(204,913)	(178,232)
Taxation	7	<u>(1,723)</u>	<u>(12,228)</u>
Loss for the year		<u>(206,636)</u>	<u>(190,460)</u>
Other comprehensive income			
Exchange differences on translating foreign operations		<u>(201)</u>	<u>7,142</u>
Other comprehensive income for the year, net of tax		<u>(201)</u>	<u>7,142</u>
Total comprehensive income for the year		<u><u>(206,837)</u></u>	<u><u>(183,318)</u></u>
Dividends	9	<u><u>–</u></u>	<u><u>–</u></u>
Loss attributable to:			
Owners of the Company		(211,283)	(200,548)
Minority interests		<u>4,647</u>	<u>10,088</u>
		<u><u>(206,636)</u></u>	<u><u>(190,460)</u></u>
Total comprehensive income attributable to:			
Owners of the Company		(211,456)	(194,110)
Minority interests		<u>4,619</u>	<u>10,792</u>
		<u><u>(206,837)</u></u>	<u><u>(183,318)</u></u>
Loss per share attributable to the owners of the Company			
– basic and diluted	8	<u><u>HK (4.40) cents</u></u>	<u><u>HK (10.35) cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		43,438	43,668
Prepaid lease payments		32,268	28,989
Investment properties		5,586	–
Goodwill		<u>788,068</u>	<u>206,585</u>
		869,360	279,242
Current assets			
Inventories		95,154	3,696
Trade and other receivables and deposits	10	241,136	18,275
Derivative financial instruments		96	3
Pledged bank deposits		17,274	5,255
Cash and bank balances		<u>59,712</u>	<u>88,506</u>
		413,372	115,735
Total assets		<u>1,282,732</u>	<u>394,977</u>
Equity:			
Capital and reserves attributable to the owners of the Company			
Share capital		466,423	224,756
Reserves		<u>237,561</u>	<u>103,067</u>
		703,984	327,823
Minority interests		<u>32,858</u>	<u>28,239</u>
Total equity		<u>736,842</u>	<u>356,062</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	250,748	30,607
Bank borrowings		47,310	–
Amounts due to minority shareholders		719	540
Convertible note		–	6,469
Tax payable		<u>2,254</u>	<u>1,118</u>
		301,031	38,734
Long-term liabilities			
Promissory note		240,482	–
Convertible note		3,741	–
Deferred taxation		<u>636</u>	<u>181</u>
		244,859	181
Total liabilities		<u>545,890</u>	<u>38,915</u>
Total equity and liabilities		<u>1,282,732</u>	<u>394,977</u>
Net current assets		<u>112,341</u>	<u>77,001</u>
Total assets less current liabilities		<u>981,701</u>	<u>356,243</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2010

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note (a))</i>	Translation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible note reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note (b))</i>	Accumulated losses <i>HK\$'000</i>	Minority 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)	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 comprehensive income 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 interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	4,705	4,705
Release upon redemption of convertible note	-	-	-	-	-	(20,245)	-	19,424	-	(821)
Dividend paid	-	-	-	-	-	-	-	-	(13,940)	(13,940)
Transfer to reserve	-	-	-	-	-	-	534	(534)	-	-
At 31 March 2009 and 1 April 2009	224,756	335,267	(6,735)	7,899	4,658	4,448	1,287	(243,757)	28,239	356,062
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	(173)	-	-	-	-	(28)	(201)
Net income recognised directly in equity	-	-	-	(173)	-	-	-	-	(28)	(201)
Loss for the year	-	-	-	-	-	-	-	(211,283)	4,647	(206,636)
Total comprehensive income for the year	-	-	-	(173)	-	-	-	(211,283)	4,619	(206,837)
Release upon disposal of subsidiaries	-	-	-	(537)	-	-	-	-	-	(537)
Issue of share option	-	-	-	-	5,617	-	-	-	-	5,617
Equity component of convertible note	-	-	-	-	-	(1,410)	-	4,448	-	3,038
Deferred tax related to convertible note	-	-	-	-	-	(501)	-	-	-	(501)
Share options cancelled	-	-	-	-	(4,045)	-	-	4,045	-	-
Issue of convertible preference shares	241,667	338,333	-	-	-	-	-	-	-	580,000
At 31 March 2010	<u>466,423</u>	<u>673,600</u>	<u>(6,735)</u>	<u>7,189</u>	<u>6,230</u>	<u>2,537</u>	<u>1,287</u>	<u>(446,547)</u>	<u>32,858</u>	<u>736,842</u>

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 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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 head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, Hong Kong (with effect from 28 June 2010).

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 the provision of general hospital services, healthcare and hospital management services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business 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, of the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on or after 1 April 2009. A summary of the new HKFRSs are set out as below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 38 (Amendment)	Intangible Assets
HKAS 40 (Amendment)	Investment Properties
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRS issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior years.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 28 (Amendment)	Investments in Associates ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁷
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Equity holders ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

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

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

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 the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively included Hong Kong Accounting Standards (“HKASs”) and Interpretations (the “Interpretations”) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange (the “GEM Listing Rules”).

The measured basis used in the preparation of the financial statements is historical cost convention and modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that 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 for the purposes of allocating resources to segments and assessing their 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 returns approach. In the past, the Group's primary reporting segment was geographical segment. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group organised into three operating divisions: provision of general hospital services, provision of healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

2010

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	125,360	1,550	52,855	-	-	179,765
Inter-segment sales	-	-	-	-	-	-
Total turnover	<u>125,360</u>	<u>1,550</u>	<u>52,855</u>	<u>-</u>	<u>-</u>	<u>179,765</u>
Inter-segment sales are charged at arm's length						
Results						
Segment results	<u>(162,196)</u>	<u>(1,630)</u>	<u>3,070</u>	<u>-</u>	<u>-</u>	<u>(160,756)</u>
Unallocated other revenue						419
Unallocated other income						230
Unallocated corporate expenses						(20,324)
Loss on disposal of subsidiaries						<u>(23,185)</u>
Loss from operations						(203,616)
Finance costs						<u>(1,297)</u>
Loss before taxation						(204,913)
Taxation						<u>(1,723)</u>
Loss for the year						<u><u>(206,636)</u></u>

Segment assets and liabilities

2010

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated statement of financial position					
Assets					
Segment assets	96,357	4,884	1,120,907	-	1,222,148
Unallocated corporate assets					60,584
Consolidated total assets					<u>1,282,732</u>
Liabilities					
Segment liabilities	13,664	406	278,934	-	293,004
Promissory note					240,482
Convertible note					3,741
Deferred taxation					636
Unallocated corporate liabilities					8,027
Consolidated total liabilities					<u>545,890</u>

Other segment information

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information					
Capital expenditure	7,018	361	22	-	7,401
Depreciation	9,751	189	200	1,060	11,200
Amortisation of prepaid lease payments	967	-	10	-	977
Loss on disposal of property, plant and equipment	28	-	-	-	28
Provision for impairment losses of trade and other receivables	489	-	-	-	489
Impairment loss on goodwill	<u>171,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,422</u>

Segment revenue and results

2009

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
External sales	155,719	14,368	–	–	170,087
Inter-segment sales	–	–	–	–	–
Total turnover	<u>155,719</u>	<u>14,368</u>	<u>–</u>	<u>–</u>	<u>170,087</u>
Inter-segment sales are charged at arm's length					
Results					
Segment results	<u>(155,690)</u>	<u>(1,428)</u>	<u>–</u>	<u>–</u>	(157,118)
Unallocated other revenue					422
Unallocated other income					2,085
Unallocated corporate expenses					(17,934)
Loss on disposal of subsidiaries					<u>(3,865)</u>
Loss from operations					(176,410)
Finance costs					<u>(1,822)</u>
Loss before taxation					(178,232)
Taxation					<u>(12,228)</u>
Loss for the year					<u><u>(190,460)</u></u>

Segment assets and liabilities

2009

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated statement of financial position					
Assets					
Segment assets	315,218	37,768	–	–	352,986
Unallocated corporate assets					41,991
Consolidated total assets					<u>394,977</u>
Liabilities					
Segment liabilities	26,516	577	–	–	27,093
Convertible note					6,469
Deferred taxation					181
Unallocated corporate liabilities					5,172
Consolidated total liabilities					<u>38,915</u>

Other segment information

	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information					
Capital expenditure	10,679	482	–	2,475	13,636
Depreciation	9,473	152	–	1,004	10,629
Amortisation of prepaid lease payments	962	–	–	–	962
Loss on disposal of property, plant and equipment	–	10	–	–	10
Provision for impairment losses of trade and other receivables	1,381	–	–	–	1,381
Impairment loss on goodwill	<u>202,547</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>202,547</u>

Segment results represent the profit/(loss) generated by each segment without allocation of finance costs, loss on disposal of subsidiaries and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment measurement.

Geographical information

The Group's operations are mainly located in Hong Kong and PRC. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	–	–
PRC	179,765	170,087
	<u>179,765</u>	<u>170,087</u>

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and derivative financial instrument) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	1,734	2,286
PRC	867,626	276,956
	<u>869,360</u>	<u>279,242</u>

* Non-current assets excluding financial instruments and deferred tax assets.

5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the retail and wholesale and distribution of pharmaceutical products, provision of general hospital services and healthcare and hospital management services. An analysis of the Group's turnover and other revenue is as follows:

	2010 HK\$'000	2009 HK\$'000
Turnover:		
Retail of pharmaceutical products	9,784	–
Wholesale and distribution of pharmaceutical products	43,071	–
Provision of general hospital services	125,360	155,719
Provision of healthcare and hospital management services	1,550	14,368
	<u>179,765</u>	<u>170,087</u>
Other revenue:		
Interest income	532	422
Sundry income	805	–
	<u>1,337</u>	<u>422</u>

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Directors' remuneration	2,374	2,380
Other staff's retirement benefits scheme contributions	3,047	2,604
Other staff costs	25,682	11,637
	<u>31,103</u>	<u>16,621</u>
Auditors' remuneration	1,050	1,048
Provision for impairment losses of trade and other receivables	489	1,381
Cost of goods sold	53,625	–
Amortisation of prepaid lease payments	977	962
Depreciation of property, plant and equipment – owned by the Group	11,200	10,629
Loss on disposal of property, plant and equipment	28	10
Operating lease rentals in respect of land and buildings	5,378	6,211
Change in fair value derivative financial instruments	–	511
Loss on disposal of subsidiaries	23,185	3,856
Impairment loss on goodwill	171,422	202,547
and after crediting:		
Other income:		
Net exchange gain	230	2,085
Change in fair value derivative financial instruments	93	–
Reversal of trade and other payables	138	–
	<u>461</u>	<u>2,085</u>

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated 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.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current taxation:		
Provision for the year		
– PRC	1,769	12,228
Deferred tax recognised during the year	(46)	–
	<u>1,723</u>	<u>12,228</u>

8. LOSS PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss attributable to owners of the Company	<u>(211,283)</u>	<u>(200,548)</u>
	2010	2009
Weighted average number of ordinary shares in issue	4,495,111,986	1,938,440,073
Weighted average number of preference shares in issue	305,402,930	–
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,800,514,916</u>	<u>1,938,440,073</u>

The calculation of diluted loss per share did not assume the exercise of the convertible notes and share options existed at 31 March 2010 and 2009 as the exercise of convertible notes and share options would reduce loss per share, therefore anti-dilutive.

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: Nil).

10. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	126,226	2,135
Deposits paid	181	181
Prepayments	30,429	13,228
Prepaid lease payments	1,126	972
Other receivables	83,174	1,759
	<u>241,136</u>	<u>18,275</u>

Payment terms with customers from the pharmaceutical wholesale and distribution and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. 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 end of the reporting period:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 90 days	116,670	1,382
91 to 180 days	7,217	542
181 to 365 days	985	106
Over 365 days	3,447	1,701
	128,319	3,731
Less: Allowance for doubtful debts	(2,093)	(1,596)
	126,226	2,135

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

11. TRADE AND OTHER PAYABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables	169,112	12,453
Bill payables	28,660	–
Accruals and other payables	52,976	18,154
	250,748	30,607

The following is an aged analysis of trade payables at the end of the reporting period:

	The Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 90 days	101,448	5,687
91 to 180 days	46,001	6,271
181 to 365 days	11,177	82
Over 365 days	10,486	413
	169,112	12,453

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

Summary of the results of the Group for the financial year ended 31 March 2010 is as follows:

- Turnover was approximately HK\$179.765 million as compared to a turnover of approximately HK\$170.087 million for the previous year.
- Gross profit was approximately HK\$64.384 million as compared to a gross profit of approximately HK\$97.337 million for the previous year.
- Net loss attributable to owners of the Company was approximately HK\$211.283 million as compared to a net loss attributable to owners of approximately HK\$200.548 million for the previous year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

Business Review

The Group is principally engaged in the provision of general hospital services, healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

Results of the Group for the year ended 31 March 2010 have shown improvement in turnover compared with the previous year. Turnover of the Group for the year was approximately HK\$179.765 million in comparison with HK\$170.087 million in 2009. The improvement in revenue for the year ended 31 March 2010 was mainly driven by the contribution in turnover generated from the general hospital services and the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC. Gross profit of the Group was approximately HK\$64.384 million in comparison with HK\$97.337 million in 2009. The decrease in gross profit of the Group was mainly affected by the performance of individual hospitals in the PRC.

Net loss attributable to owners of the Company for the year ended 31 March 2010 was approximately HK\$211.283 million (2009: net loss approximately HK\$200.548 million). The net loss was mainly due to the impairment loss on the goodwill of approximately HK\$171.422 million which arised during the acquisition of the hospitals in the PRC between 2007 and 2008.

Selling and distribution expenses for the year ended 31 March 2010 to approximately HK\$22.277 million as compared to approximately HK\$19.426 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 2010 amounted to approximately HK\$52.914 million (2009: approximately HK\$50.416 million). The increases were mainly due to the increased in numbers of staff and related staff costs. Also, the professional expenses incurred for the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the Fujian Province, the PRC.

Business Review and Outlook

General hospital services

During the year ended 31 March 2010, the Group had 5 general hospitals operating in different cities (i.e. Chongqing, Jiaxing, Shangrao, Foshan and Bengbu) of the PRC which 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 total turnover contributed by these general hospitals for the year ended 31 March 2010 was approximately HK\$125.360 million (2009: approximately HK\$155.719 million).

Healthcare and hospital management services

The Group provides healthcare management and training and consultancy for hospitals in the PRC which included 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 2010 was approximately HK\$1.550 million (2009: approximately HK\$14.368 million).

Pharmaceutical wholesale and distribution

On 8 March 2010, the Group has successfully completed the acquisition of the entire equity interest of Huihao Medicine Wholesale Group. The Huihao Medicine Wholesale Group maintains solid business connections with thousands of drug manufacturers on a provincial basis, and has formed strategic co-operation with other major pharmaceutical corporations in six neighborhood provinces in the PRC. The turnover contributed by the pharmaceutical wholesale and distribution from 8 March to 31 March 2010 was approximately HK\$43.071 million.

Pharmaceutical retail chain

On 8 March 2010, the Group has successfully completed the acquisition of 99.29% equity interest (through control agreements) of Huihao Sihai. Major business of Huihao Sihai is the retailing of pharmaceutical products. Its pharmaceutical retail chain operation is the leader in pharmaceutical retail chains in the Fujian Province, the PRC in terms of number of retail drug stores. There are currently 85 direct drug stores located in major cities in the Fujian Province, the PRC under the brand name “Huihao Sihai”. The turnover contributed by pharmaceutical retail chain from 8 March to 31 March 2010 was approximately HK\$9.784 million.

Future Prospects

The directors expect that the global economic environment will remain challenging for the year 2010. The management of the Group will continue to adapt to the changing business environment with effective and efficient measures and continue to keep focus on its core healthcare and pharmaceutical businesses in the PRC. The strong economic growth and increasing healthcare expenditures in the PRC are major drivers for greater demands for quality hospital services and affordable pharmaceutical products. The directors therefore remain optimistic about the promising healthcare and pharmaceutical sectors in the PRC in the long-run including but not limited to possible future investments in or co-operations with hospitals in the PRC (such as making use of various acquisition means and integrating hospitals with streamlined resources to expand the healthcare and pharmaceutical businesses more effectively). At the same time, the implementation of the healthcare reform measures and the government-dictated improvement of the healthcare standards on a national basis will lead to seamless co-operation between hospital management enterprises and distributors of pharmaceutical products in the PRC, thus increasing the business opportunities for the Group as a whole. After taking into account such factors and undertaking those businesses which are complementary to the existing healthcare business of the Group as a further step, the diversification into the pharmaceutical sector would consequently create synergetic effects among the core business divisions, ultimately contributing noticeable benefits to the Group and enhancing shareholders’ returns in the long-run.

Liquidity and Financial Resources

The Group had total cash and bank balances of approximately HK\$59.712 million as at 31 March 2010 (2009: approximately HK\$88.506 million). For the year ended 31 March 2010, the Group paid HK\$20 million as cash consideration for the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the Fujian Province, the PRC.

The Group recorded total current assets of approximately HK\$413.372 million as at 31 March 2010 (2009: approximately HK\$115.735 million) and total current liabilities of approximately HK\$301.031 million as at 31 March 2010 (2009: approximately HK\$38.734 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.373 as at 31 March 2010 (2009: approximately 2.988).

Acquisition and Disposal of Subsidiaries

Summary of the Group's material acquisition and disposal of subsidiaries for the year ended 31 March 2010 is as follows:

1. On 29 January 2010, Ally Health a wholly owned subsidiary of the Company entered into the sale and purchase agreement pursuant to which Ally Health agreed to sale the entire issued share capital of Direct Way and Smart Peak (two wholly owned subsidiaries of the Company) at the cash consideration of HK\$4.5 million and HK\$2 million respectively. The principal asset of Direct Way is the indirect 70% interest in Foshan Qide Hospital and the principal asset of Smart Peak is the indirect 100% interest in Fuzhou Zhuoxin Enterprises Management Consultancy Limited (a wholly owned subsidiary of Smart Peak) which controls (through control agreements) of Bengbu Aomeijia Hospital. The disposal of these 2 hospitals has enhanced the Group hospital portfolio and streamlined the Group's general hospital services operation.
2. On 8 March 2010, the Group completed the acquisition of the entire equity interest of Huihao Medicine Wholesale Group, one of the leading distributors and providers of supply chain services for pharmaceutical and healthcare products in the Fujian Province, the PRC in terms of scale of operation, distribution network and operates the largest national pharmaceutical centre in the Fujian Province, the PRC in terms of operation and centre area. The Group also completed the acquisition of 99.29% equity interest (through control agreements) of Huihao Sihai, the leader in pharmaceutical retail chain with 85 direct drug stores located in major cities in the Fujian Province, the PRC. The total consideration of HK\$600 million was settled by cash, promissory note and convertible preference shares.

Contingent Liabilities

As at 31 March 2010, 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.

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 2010, the Group had bank-borrowing outstanding balances of approximately HK\$47.310 million. The Group's pledged bank deposits of approximately HK\$17.274 million were used 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; (2) provision of healthcare and hospital management service; and (3) pharmaceutical wholesale and distribution and pharmaceutical retail chain business. Geographically, the Group has expanded business operations into the Fujian Province, the PRC.

Capital Structure

As at 31 March 2010, the total issued share capital of the Company was approximately HK\$466.423 million (2009: approximately HK\$224.756 million) divided into 4,495,111,986 ordinary shares and 4,833,333,333 non-voting convertible preference shares (2009: ordinary 4,495,111,986 ordinary shares) of HK\$0.05 each.

Employee Information

As at 31 March 2010, the Group had 1,552 (2009: 670) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	17
PRC (including cities of Beijing, Chongqing, Jiaxing, Shangrao, Zhuhai and the Fujian Province)	1,535

For the year ended 31 March 2010, staff costs (including directors emoluments) amounted to approximately HK\$31.103 million (2009: approximately HK\$16.621 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 2010, 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 2010 except: (i) the roles of chairman and chief executive officer are not separated; and (ii) no nomination committee of the Board is established.

The roles of Chairman and Chief Executive Officer of the Company are not segregated and are exercised by the same individual. Mr. Yung Kwok Leong serves as the Chairman of the Board and Chief Executive Officer. The Board believes that vesting the roles of the Chairman and the Chief Executive Officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company’s decision making and operational efficiency.

The Board does not establish a nomination committee in consideration of the size of the Group. The Board is empowered under the Company’s articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Suitable candidates will be proposed to the Board for consideration, and the Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

AUDIT COMMITTEE REVIEW

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2010 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, 25 June 2010

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaxing, 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 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.