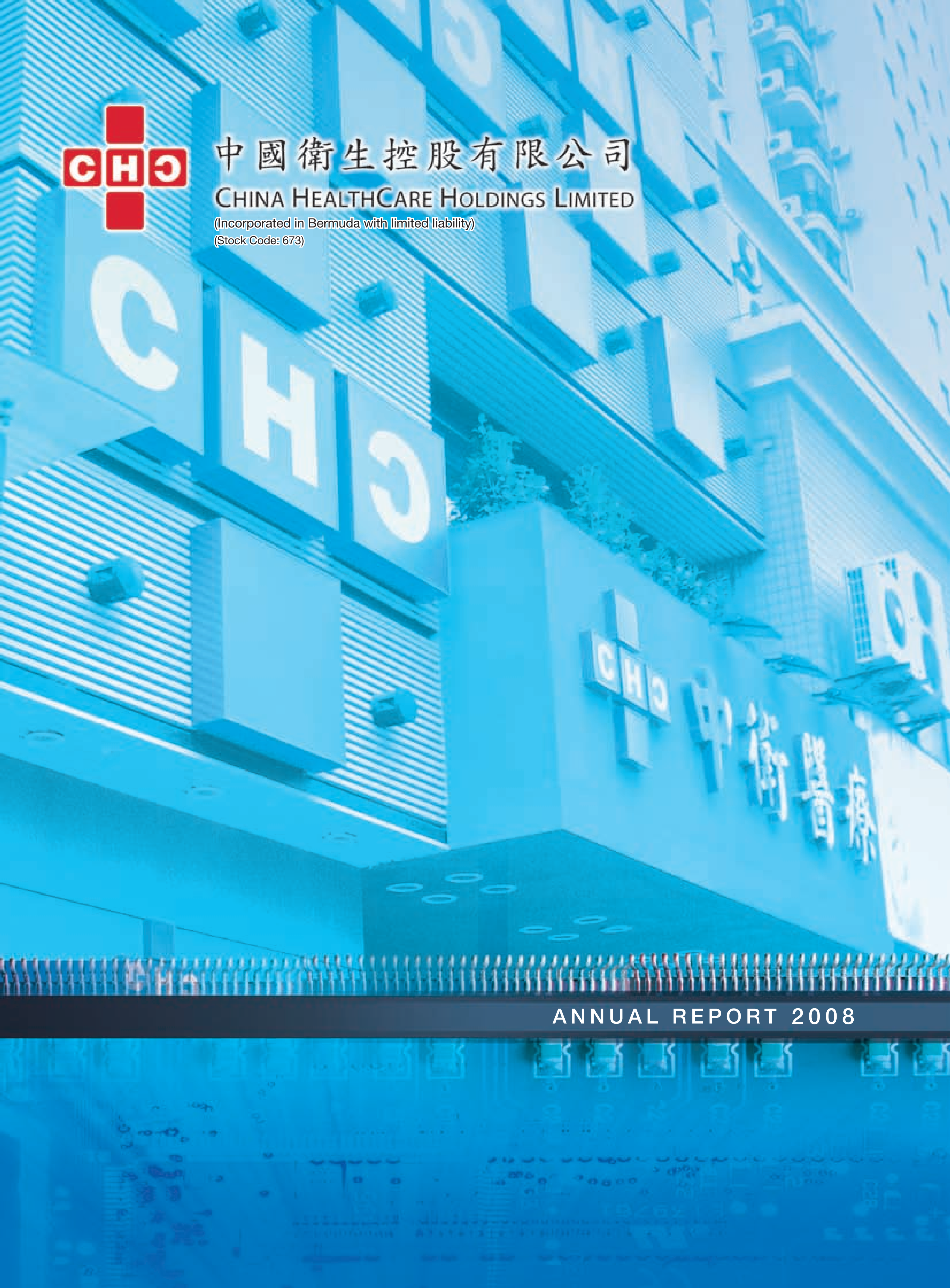
中國衛生控股有限公司

CHINA HEALTHCARE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 673)



ANNUAL REPORT 2008

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan *(Chairman)*
Mr. Lee Jong Dae
Mr. Zhou Bao Yi

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yan Shi Yun
Mr. Mu Xiang Ming
Mr. Jiang Bo

COMPANY SECRETARY

Mr. Lo Chi Ko

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9th Floor, Shun Ho Tower,
No.24 - 30 Ice House Street,
Central, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Harcourt Road Branch
Ground Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

LEGAL ADVISERS

Morrison & Foerster
Solicitors and International Lawyers
21/F., Entertainment Building
30 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

Dear Shareholders,

During the past financial year, the Group made substantial progress in the growth and expansion of its healthcare and consumer services. The Group has been focusing on creating customer value of "better access, better communication and better connectivity" through a network-based connectivity platform that is highly scalable for the China's consumer and healthcare services market. The Group has achieved significant consumer and market share gains and produced strong operating results both in revenue and income growth.

This past financial year marks an important milestone for the Group as it validated and re-affirmed the Group's business vision and strategy. Given China's mega growth of underlying consumption demands arising from China's on-going grand-scale urbanization, rising per capita income, increasing Chinese and international travelers, and ageing demographics, the Group's vision is to achieve a dominant position in China as a consumer oriented service provider. The Group's strategy is to build and scale up its proprietary consumer base via its head-count based and IT enabled services and products while embracing itself tightly with the mega trend of consumer demand. The Group aims to create unique and significant consumer value through a network based consumer and healthcare services platform, which leads to faster growth, higher scalability and greater geographical expansion in its business operation.

Enabling the B-to-C consumer services platform is Shanghai Harvest Network Technology Co., Ltd. ("Harvest"), the Group's operating flagship in consumer services. Building upon Harvest's dominant market share in mobile prepaid distribution in Shanghai through a network of over 6,200 retail outlets of distribution/ settlement with over 3,500 POS terminals, the Group is further expanding into viable coastal regions other than Shanghai in geography; viable prepaid and store-value cards other than mobile prepaid in products; and in addition, integrating with the Group's healthcare resources to provide pre-paid health/wellness assistance products and services in China. The Group is expanding its portfolio of prepaid products, rolling out distribution through expanding channels and extending a wider geographical coverage in viable regions in China.

Leading the Group's B-to-B healthcare services is Beijing Universal Medical Assistance Co., Ltd ("BUMA"), the Group's operating flagship in healthcare services. As of this report, BUMA has solidly validated its business model and is scaling up its business via expanding distribution of value added medical assistance services, through a network of leading insurance companies and other channels of over two dozen, into its steadily growing customer-base, which enjoys a core component of more than 1.5 million prepaid members for emergency medical assistance access at present. The Group's dedicated customer focus, strong working relationship with large insurance companies and high quality access of broad hospital network in China will continue to drive and contribute its growth in healthcare services.

Chairman's Statement

To implement the Group's growth and expansion in consumer and healthcare services, I am pleased to report that during the financial year the Group successfully attracted top management and entrepreneurial talents with proven track records in service business building and execution to lead these critical endeavors, and furthermore that the Group has had continued success in upgrading its critical human resources of senior and middle managers with talents of proven track record in healthcare services and distribution channel management to turn the Group's strategy and vision into solid operating results.

In summary, the Group's business model; operational expansion and managerial upgrade have validated and enabled a connectivity platform in consumer and healthcare services of strong distribution channels, both B-to-B and B-to-C channels, such a critical mass will result in strong business scale and growth for the Group's head-count based products and services in coming years.

I would like to express my appreciation to the staff of the Group for their dedication, commitment and contribution to the Group's overall performance and results. I would also like to extend my gratitude to the investors, business partners, and shareholders for their support and confidence in the Group over the past years. With the dedication of our staff, the commitment of our management team, the support of our shareholders and partners, I am highly confident that the Group will continue to grow and create significant value to the consumers of our services, which shall generate significant shareholder value. I look forward to sharing with you more positive developments in years to come.

Yours sincerely,

Dr. Li Zhong Yuan
Chairman

25 July 2008, Hong Kong

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2008, the Group reported a turnover of approximately HK$2,867.6 million, representing an increase of 76% as compared to HK$1,632.9 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$25.2 million as compared to approximately HK$73.2 million for the previous financial year. Basic loss per share for the year was HK$0.11 (2007: HK$0.31).

BUSINESS OPERATION

During the past financial year, the Group was principally engaged in provision of healthcare and consumer services and made steady and substantial progress in its business operations and validated a service platform which enables the procurement of better access, better communication and better connectivity in China.

China is undergoing mega growth of underlying consumption demands arising from China's on-going grand-scale urbanization, rising per capita income, increasing Chinese and international travelers, and ageing demographics. The Group's vision is to achieve a dominant position in China as a consumer oriented service provider to embrace the mega trend, and to realize such a vision the Group's strategy is to build and scale up its proprietary consumer base via its head-count based and IT enabled services and products. To enable the implementation of such strategy, the Group aims to create unique and significant consumer value through a network based consumer and healthcare services platform, which leads to faster growth, higher scalability and greater geographical expansion in its business operation.

In order to position the operation of B-to-C consumer services to reach next levels, the Group made a further acquisition of the remaining 30% equity interest in Shanghai Harvest Network Technology Co., Ltd ("Harvest") and strengthened and augmented its management in first half of 2008. Harvest enjoys a dominant market share in mobile prepaid distribution in Shanghai through a network of over 6,200 retail outlets of distribution/settlement with over 3,500 POS terminals and is the Group's operating flagship in consumer services. This strategic acquisition positions the Group to embark on the course of rapid growth with the objective of becoming a leading distributor of prepaid and stored value cards in China.

The operation of B-to-B healthcare services, via the Group's operating flagship Beijing Universal Medical Assistance Co., Ltd ("BUMA"), has reached its value inflection point of positive operating cash flow. Given its highly scalable business model of prepaid head-count revenue; channel based distribution and IT enabled services and products, the Group has been scaling up the operation via expanding distribution of value added medical assistance services, which is currently a network of leading insurance companies and other channels of over two dozen and upgrading its management resources systematically since fall 2007. The operation enjoys a steadily growing customer-base with a core component of more than 1.5 million prepaid members for emergency medical assistance access via BUMA at present.

Management Discussion and Analysis

Review of B-to-C consumer services operation

The Group's B-to-C business model is oriented around scale; growth; cash flow; product and technology standardization and expanding retail outlets of distribution and settlement. The Group is #1 distributor of mobile prepaid cards in Shanghai; achieved 70% penetration of convenience stores in Shanghai – the most comprehensive region in China; enjoyed an estimated 24% market share for China Mobile prepaid cards in Shanghai; and is a highly scalable and profitable operation. In Spring 2008, the Group decided to launch a strategic growth initiative to take the business to achieve accelerated rather than organic growth. In order to seize the opportunity to become a leading distributor of prepaid and stored value cards in China, the Group has taken steps to identify constrains in management; capital; expertise and technology and viable measures to remove them.

The Group is very pleased to report that Ms. Jane Zhang, who was Assistant President of CITIC Bank Shanghai with 25+ years of financial services experience in China, joined Harvest as its new General Manager in late March 2008 to lead the implementation of the Group's strategic growth initiative in consumer services, and in addition that the Group has also had continued success in upgrading its critical human resources of senior and middle managers in marketing; technology and channel management.

The strategic growth initiative entails expansion of geography; products and channels, i.e. expanding into viable coastal regions other than Shanghai in geography; viable prepaid and store-value cards other than mobile prepaid in products; and viable channels other than existing ones in Shanghai such as store chains of convenience stores and supermarkets; independent store operations and other small retail outlets etc. to increase economy of scale. The Group is fortunate to be able to draw upon world class expertise as global prospect to form its road map of strategic growth initiative, and in particular, the Group is in a position to consolidate its leadership as the first in China to employ a state of art global activation technology for stored value cards. China Telecom Shanghai has launched a campaign to place 500,000 terminals of fixed line phone with payment functions (the "Fixed Line Terminals") into households in Shanghai by 2010, and Directors are also pleased to report that as of this report the Group, via Harvest, has secured an exclusive contractual right to distribute mobile prepaid and others on such channels of Fixed Line Terminals, substantially augmenting an existing network of over 6,200 retail outlets of distribution/settlement with over 3,500 POS terminals in Shanghai.

Directors are pleased to report that the Group's consumer services business has had an increase of over 13% in terms of overall revenues as compared with the same period in 2007.

Review of B-to-B healthcare services operation

The Group's B-to-B business model focuses on scale; growth; service standardization and cash flow; and is built around nationwide hospital access; prepaid head-count revenue; IT enabled services and products and channel based distribution. The emergency medical assistance is a prime focus of our healthcare service operation and the Group, via BUMA, has emerged as a leading provider of emergency medical assistance in China. Given the rapidly rising China related travel flows, either intra-China or China outbound or inbound China, and further stimulus by landmark events of 2008 Summer Olympics in Beijing and 2010 WorldExpo in Shanghai, the demand for travel related emergency medical assistance is anticipated to have exponential growth.

As of this report, the Group, via BUMA, has secured more than 1.5 million prepaid members for its emergency medical assistance access services while members at September 2007 were about 460,000; and furthermore, has solidly validated the medical assistance business model as demonstrated by ongoing and steadily improving positive operating cash flows; rapidly increasing membership numbers; and a network of insurance companies including China PingAn etc. and other channels of over two dozen in aggregate as B-to-B distribution channels.

The Group is very pleased to report that Ms. Amy Yu, who is a successful entrepreneur and has built up her own financial; accounting; operational and managerial consulting business from scratch, joined BUMA as its new General Manager in October 2007 with overall responsibility of implementing the Group's development and growth in healthcare services, and to further augment and strengthen the operating team on the ground, the Group has subsequently brought a number of senior and middle managers in marketing; hospital access and customer services on board.

Having carefully reviewed the healthcare service operation up to 1st half of 2008 and macro environment of China at present and its outlook, in early July 2008 the Group also decided to map out a strategic growth initiative by September 2008, to enable its healthcare services business leap frog. The strategic growth initiative will entail deepening of nationwide hospital access; broadening of service products; widening of distribution channels; and sharpening of IT enablers.

Directors are pleased to report that the Group's healthcare services has had an increase of over 38% in terms of revenues and 35% decrease in net loss as compared with the same period in 2007.

Review of the Group's other activities

During the financial year, the Group reviewed its operation of two clinics with full fledged medical licenses held via its subsidiaries Shanghai (CHC) Medical and Health Services Ltd. and Beijing WeiChang Clinic Ltd. respectively and decided to limit the Group's resource exposure there as scale building as a healthcare provider will be much more capital and time intensive as opposed to opportunities in the Group's consumer and healthcare services operation. As such the Group has de-emphasized this operation through management outsourcings and is pleased to report that cash burning in both clinics have been turned into positive cash flows.

During the financial year, the Group also reviewed its operation of diagnostic reagents manufacturing and distribution and decided to dispose the manufacturing component to enable better focus on opportunities in the Group's consumer and healthcare services operation. The Directors are pleased to report that the disposal of the manufacturing component was completed in February 2008. The Group retained the distribution component of selling diagnostic devices/consumables into hospital labs, which is scalable and also synergetic with the Group's initiative in healthcare service operation of deepening access to hospitals nationwide.

The Directors are especially pleased to report that as of this report all operating subsidiaries of the Group are in positive operating cash flows.

Enhancing the Group's organization; chain of command; and administrative capacity, the Group is pleased to report that during the financial year, Mr. Zhou Bao Yi, who has many years of senior administrative experience in organizational management and was the CFO; President and Chairman of a large state-owned enterprise with more than 67,000 staffs and workers, became an Executive Director with overall responsibility in all finance and administration affairs for the Group; and Ms. Amy Yu, in addition to her responsibility as the General Manager of BUMA, became the Chief Operating Officer and Vice President in charge of all daily operating activities of the Group; and Mr. Fred Yoo, who has many years of senior operational experience in multi-nationals such as SWIFT and AIG etc., became a Vice President of International Operations.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company had no fund raising activities, and the Group's cash and cash equivalents amounted to approximately HK$59.6 million as at 31 March 2008.

The Group's total borrowings as at 31 March 2008 amounted to HK$152.8 million, all of which as represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (2.65) (2007: (3.78)), based on an amount of shareholders' equity of HK$(57,607,000) (2007: HK$(39,059,000)).

CONTINGENT LIABILITIES

At 31 March 2008, there were no contingent liabilities of the Group.

CHARGE ON GROUP'S ASSETS

At the balance sheet date, there was no charge on the Group's assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2008, the Group employed 130 (2007: 149) staff members. Total staff cost including Directors' emoluments was HK$16.9 million as compared to HK$17.2 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group.

FUTURE PROSPECT

From a macro perspective of 20-year time horizon on China's consumer market by McKinsey, China's one was comparable to Italy's in 2005; will surpass Germany's in 2015 and becomes comparable to Japan's in 2025 and becoming one of the largest consumer markets but lag in per-capita consumption, and such mega trend is creating world's largest growth opportunity in consumer services. Along with the growth in China's economy and consumption, China's demographic is trending towards that about 25% of its population will be ageing (i.e. at or more than 60 years older) by 2030.

To embrace the mega trend, the Group's vision is to achieve a dominant position in China as a consumer oriented service provider, and to realize such a vision, the Group's strategy is to build and scale up its proprietary consumer base via its head-count based and IT enabled services and products, and to implement such a strategy, the Group's business model is to develop a network based connectivity platform focusing on customer value, i.e., better access, better communication and better connectivity by leveraging its access to healthcare resources, communications infrastructures and distribution channels for consumer reach and services.

The Group's strategic growth initiatives in both B-to-C consumer service operation and B-to-B healthcare service operation aim to capture the right timing for accelerated expansion and growth, and with augmented and strengthened resources in management; expertise and capital, the Group's highly scalable business model and rich operating experience are in a position to enable rapid growth and quick scalability operationally. The Group is also creating synergy in consumer and healthcare services via prepaid and stored value cards in health ("Health Debit Card"). With its steadfast commitment and undivided attention to its objectives in consumer and healthcare services operations as the prime focus, the Group also is seeking the right partners and opportunities to help access the substantial immediate opportunities. Hence, in addition to organic growth, the Group is actively looking for partnerships and merger and acquisition opportunities of businesses that are in alignment and in synergy with its vision; strategy; and business model.

As such and with continuing support from the Group's investors and business partners and diligence and dedication from the Group's staffs, the Group is well-positioned for continued business expansion in coming years. We look forward to building and growing the Group's businesses, creating substantial values to consumers of our services, generating significant shareholders' value, and reporting back to shareholders as we take strides toward our goals.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan, aged 46 and Chairman of the Board, has over 19 years of experience in entrepreneurship; principal investment; finance; and academia. Dr. Li held senior positions in cross border structured products/ asset swap/repackaging with major international investment banks, including Bankers Trust, Salomon Brothers, and IBJ Asia and was a Director of Rabobank International before pursuing his own principal investment and entrepreneurial operation in early 2000. Dr. Li received his Ph.D. in Mathematics with best dissertation for the year honor from the University of Michigan and subsequently worked as a C.L.E. Moore Instructor in Mathematics at the MIT. Dr. Li is a member of the International Advisory Board of the UCSD Graduate School of International Relations and Pacific Studies, and also served on boards of a number of public and private companies.

Mr. Lee Jong-Dae, aged 48 and Executive Director, is an experienced international lawyer and investment banker in charge of public and investor relations and legal affairs for the Group. He began his practice in Washington, D.C. where he specialized in international trade matters, and moved to Hong Kong in 1988 to join Coudert Brothers. As a partner of Coudert Brothers, he practiced in the corporate and finance areas focusing on regional cross border transactions, often involving China. He left full time law practice in 1997 to become a senior investment banker for Rabobank International, Citigroup, and certain other financial institutions, with broad responsibilities for complex cross-border transactions. He serves on the Executive Committee of Lee International IP & Law Group, and is an advisor to and director of several corporations. He received his undergraduate degree in economics from Haverford College, Pennsylvania, and later obtained his Doctor of Jurisprudence from Georgetown University, Washington, D.C.

Mr. Zhou Bao Yi, aged 46 and Executive Director, is charge of the Group's finance; accounting and administration for the Group. Mr. Zhou has many years of administrative experience in organizational management and was the Chief Financial Officer; President and Chairman in Northeastern Electric Transmission and Transformation Equipment Group Ltd. – a large state-owned enterprise with more than 67,000 staffs and workers. Mr. Zhou received his Master degree in economics from People's University, PRC; Doctoral degree in Management from Liaoning University and is a certified Senior Accountant in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer, aged 43 and non-executive director, has extensive experience in investment and financial areas. Mr. Treffer holds a master's degree in Banking and Economics from KV Zurich Business School, Switzerland. He has worked for several major international investment management and financial organizations. He is a founding member and principal partner of 2trade Group Ltd., an independent money management company in Switzerland.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 52 and independent non-executive director, is an experienced international lawyer. Mr. Mu is currently the managing partner of Shanghai Ming & Yuan Law Firm, a law firm with its principal office in Shanghai and affiliated offices in the U.S. and Japan and was a member of the Shanghai Municipal Government Foreign Economic Trade Committee and a practicing lawyer in a U.S. solicitors firm for four years. He received his L.L.B. degree from Fudan University Law School in Shanghai, China and L.L.M. degree from University of Oregon Law School in the United States.

Dr. Yan Shi Yun, aged 68 and independent non-executive director, is a highly distinguished TCM doctor. Currently, Dr. Yan is the Deputy Chairman of Academic Evaluation Department of State Council Academic Committee, Deputy Chairman of China Medical High Education Committee and Deputy Chairman of Chinese Traditional Medicine High Education Committee. He is also the Chairman of Shanghai TCM Development Expert Panel, and Deputy Chairman of Shanghai Chinese Traditional Medicine Association. He serves as a member of the State Pharmacopoeia Committee, Shanghai Academic Committee, and China Academy of Sciences for Chinese Traditional Medicine. Dr. Yan is an Honorary Professor of TCM Department of The University of Hong Kong and Honorary Visiting Professor of The Chinese University of Hong Kong. Previously he was the President of Shanghai University of TCM and Director of the TCM Institute of Shanghai University of TCM from 1985 to 2005.

Mr. Jiang Bo, aged 50 and independent non-executive director, is an experienced auditor and a CPA with more than 10 years of IPO project experiences with state-owned enterprises in China and overseas. He is a well respected member of the Chinese Institute of Certified Public Accountant (CICPA), Chinese Institute of Certified Public Valuer (CICPV) and the Liaoning Assets Appraisal Specialists Committee. Currently, Mr. Jiang is the General Manager of Liaoning Reanda Certified Public Accountant Firm. Previously, he was the Director of The Economy and Culture Promoting Association of Liaoning Province in China. He serves on the board of Brilliance China Automotive Holding Limited as an independent non-executive director.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Yu, Amy, aged 34 and Chief Operating Officer and Vice President of the Group, is in charge of the Group's daily operating activities and has the overall responsibility for the Group's healthcare service business as General Manager of the Group's subsidiary Beijing Universal Medical Assistance Co., Ltd.. Ms. Yu is a successful entrepreneur who built up her own financial; accounting; operational and managerial consulting business from scratch, now with offices both in Shanghai and Beijing and client coverage throughout China including Inner Mongolia Mengniu Dairy Industry (Group) Co., Ltd. etc. Ms. Yu has extensive experience in service sales and marketing in China and proven track record in business management and is an official financial consultant for China Association for Small and Medium Enterprises. Ms. Yu has a BS in accounting from Shanghai University of Finance and Economy and is a CPA.

Ms. Zhang, Jane, aged 46 and Vice President, is in charge of the operation of the Group's subsidiary Shanghai Harvest Network Technology Co., Ltd. as its General Manager, and has extensive operating and managerial experiences of 25 years with Chinese financial services industry and wide range of contacts in Chinese government and business community. Previously Ms. Zhang was Assistant President of CITIC Bank, Shanghai. Ms. Zhang has a BA from University of Foreign Trade and Economy and MBA from Macau University of Science and Technology.

Mr. Ren, Jun, aged 42 and Vice President of Diagnostic Products, is in charge of the Group's distribution business in diagnostic devices; equipments and reagents. Mr. Ren possesses more than 14 years of experience in distributing reagents, diagnostic devices and equipments into hospitals throughout China, and was previously a star salesman at Beckman Coulter for the Greater China region for several years before moving into his own entrepreneurial pursue for 5 years. Mr. Ren has a BS in biomedicine from Shanghai University of Science and Technology.

Mr. Yoo, Fred, aged 48 and Vice President of International Operations, is in charge of international operations for Group's healthcare service business, and has more than 15 years of senior management experiences with global operation strategy, operations management and customer services at leading world organizations across insurance, financial services, and telecommunications. Prior to CHC, Mr. Yoo assumed senior management positions at AIG/AIU, SWIFT and Telcordia responsible for global operations and customer services. Mr. Yoo worked at worldwide/regional headquarters in US, Europe and Asia. Mr. Yoo received MBA from Columbia University, M.S in Computer Science from Brown University and B.S. in Mathematics from Harvey Mudd College. He is a certified project manager.

Dr. Lu, Pei, aged 42 and Chief Medical Director, gives advice on medical affairs in Group's healthcare service business. Dr. Lu, after graduating with a medical degree from Shanghai Medical University, worked as a well regarded surgeon at leading hospitals both in Shanghai and Belgium for 12 years. Dr. Lu holds a master in International Healthcare Management from Tanaka Business School, Imperial College of London, UK, and a master in bio-medicine from University of Luven, Belgium. Dr. Lu also worked as a site doctor for International SOS in 1994.

Mr. Tsui Siu Hung Raymond, aged 32, is the Financial Controller of the Company. Mr. Tsui received his Bachelor of Business Administration in Accounting from the Chinese University of Hong Kong. He has over 9 years of experience in finance, consulting, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of the Certified Public Accountants.

COMPANY SECRETARY

Mr. Lo Chi Ko, aged 38, is the secretary of the Company. He holds a bachelor degree from the Hong Kong and a master degree in business administration from Australia. He has over 12 years of experience in corporate secretarial and finance/accounting sectors. Mr. Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants, Australia Society of Certified Practicing Accountants and The Taxation of Institute of Hong Kong.

Report of the Directors

The directors submitting herewith their annual report and the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its Subsidiaries are principally engaged in production and trading of biotechnology products, procurement of healthcare services and e-commerce distribution of mobile pre-charge.

RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 28.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in the note 26 to the financial statements.

REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Details of the redeemable convertible cumulative preference shares are set out in the note 27 to the financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 29 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements and consolidated statement of changes in equity on page 31 respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2008, the Company had no reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981.

DIRECTORS AND THEIR SERVICE CONTRACTS

The directors of the Company ("Directors") during the year and up to the date of this report:

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan
Mr. Lee Jong Dae
Mr. Zhou Bao Yi (Re-designated from Independent non-Executive Director on 6 July 2007)
Dr. Ni Aimin (Resigned on 1 November 2007)
Mr. Deng Ku Hon (Resigned on 6 July 2007)

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yan Shi Yun
Mr. Mu Xiang Ming
Mr. Jiang Bo (Appointed on 31 July 2007)

The biographical details of the directors of the Company and senior management of the Group are set out on pages 10 to 13.

In accordance with the Company's Bye-law 87, Mr. Jiang Bo, Dr. Li Zhong Yuan and Mr. Martin Treffer will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Jiang Bo, Dr. Li Zhong Yuan and Mr. Martin Treffer have not been appointed for any fixed term but shall be subject to retirement and re-election at the annual general meeting of the Company in accordance with the current Bye-law.

Mr. Lee Jong Dae, all Non-Executive Directors and Independent Non-Executive Directors are not appointed for a specific term.

Mr. Zhou Bao Yi has a service contract with the Company for a term of two year commencing from 6 July 2007 being terminable by not less than a six-month notice in writing served by either party. Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES AND SHARE OPTIONS

As at 31 March 2008, the interests and short positions of the Directors/Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the"SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions in which the directors were deemed or taken to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of director/chief executive	Company/ associated corporation	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interest in underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares at 31 March 2008
Dr. Li Zhong Yuan	The Company	Corporate *(note 1)*	19,808,000	-	19,808,000	8.45%
		Personal	4,635,000	3,625,000	8,260,000	3.52%
Mr. Lee Jong Dae	The Company	Personal	3,026,500	3,600,000	6,626,500	2.83%
Mr. Martin Treffer	The Company	Corporate *(note 2)*	1,295,000	-	1,295,000	0.55%
		Personal	250,000	900,000	1,150,000	0.49%
Mr. Mu Xiang Ming	The Company	Personal	-	210,000	210,000	0.09%

Notes:

1. These shares included 11,147,000 shares held through Pacific Annex Capital Limited and 8,661,000 shares held through Timenew Limited, both companies are wholly owned by Dr. Li Zhong Yuan.

2. These shares are held by 2Trade Group Limited which is beneficially owned by Mr. Martin Treffer as to 35%.

3. The underlying share of equity derivatives represent the shares issuable upon the exercise of share options granted to the directors/chief executives by the Company.

Save as disclosed above, none of directors of chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors nor chief executive, nor any of their spouse or children under the age 18, had any right to subscribe for securities of the Company, or exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2008, so far as is known to Directors, those persons other than Directors and chief executive of the Company, who had the interest or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interest sin underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
China Healthcare Services Ltd.	Beneficial owner	17,541,000	–	17,541,000	7.48%
Guo Kang Pharmaceutical & Medical Supplies Ltd.	Beneficial owner	17,000,000	–	17,000,000	7.25%
Orient Access International Inc.	Beneficial owner	17,300,000	–	17,300,000	7.38%
OZ Master Fund, Ltd. *(Note 1)*	Beneficial owner	–	47,356,068	47,356,068	20.21%
OZ Asia Master Fund, Ltd. *(Note 2)*	Beneficial owner	–	46,586,758	46,586,758	19.88%
OZ Management, L.L.C. *(Note 3)*	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Och-Ziff Holding Corporation *(Note 4)*	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Och-Ziff Capital Management Group L.L.C. *(Note 4)*	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Mr. Daniel Saul Och *(Note 4)*	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Mr. Hou Shu Ming *(Note 5)*	Beneficial owner	–	15,862,068	15,862,068	6.77%

Notes:

1. The underlying shares represent preference shares of the Company which entitle the holder thereof to convert for 47,356,068 fully paid Shares at an initial conversion price of HK$1.16 per Share (subject to adjustments).

2. The underlying shares represent preference shares of the Company which entitle the holder thereof to convert for 46,586,758 fully paid Shares at an initial conversion price of HK$1.16 per Share (subject to adjustments).

3. The 100,344,827 underlying shares of the Company held by OZ Management, L.L.C. through its controlled corporations include 47,356,068 underlying shares held by OZ Master Fund, Ltd., 46,586,758 underlying shares held by OZ Asia Master Fund, Ltd., 5,278,139 underlying shares held by OZ Global Special Investments Master Fund, L.P. and 1,123,862 underlying shares held by Fleet Maritime, Inc.

4. OZ Management, L.L.C. was wholly-owned by Och-Ziff Holding Corporation, which in turn was wholly-owned by Och-Ziff Capital Management Group L.L.C.. Mr. Daniel Saul Och owned 79.1% of Och-Ziff Capital Management Group L.L.C.. Therefore, each of Och-Ziff Holding Corporation, Och-Ziff Capital Management Group L.L.C. and Mr. Daniel Saul Och was deemed to be interested in the underlying shares of the Company held by OZ Management, L.L.C.

5. The underlying shares represent convertible notes of the Company which entitle the holder thereof to convert for 15,862,068 fully paid Shares at an initial conversion price of HK$1.16 per Share (subject to adjustments).

SHARE OPTION SCHEMES

There is no change in any terms of the share option schemes of the Company during the year ended 31 March 2008.

The following table discloses details of options outstanding under the Company's share option schemes and movements during the year:

	Option type	Outstanding at 1 April 2007	Granted	Exercised	Lapsed	Outstanding at 31 March 2008
Directors						
Dr. Li Zhong Yuan	A	25,000	–	–	–	25,000
	B	1,500,000	–	–	–	1,500,000
	C	2,100,000	–	–	–	2,100,000
Mr. Lee Jong Dae	B	1,500,000	–	–	–	1,500,000
	C	2,100,000	–	–	–	2,100,000
Mr. Deng Ku Hon *(Note)*	B	1,500,000	–	–	(1,500,000)	–
	C	900,000	–	–	(900,000)	–
Dr. Ni Aimin *(Note)*	B	1,500,000	–	–	(1,500,000)	–
	C	900,000	–	–	(900,000)	–
Mr. Martin Treffer	C	900,000	–	–	–	900,000
Mu Xiang Ming	C	210,000	–	–	–	210,000
Total Directors		13,135,000	–	–	(4,800,000)	8,335,000
Management and staffs	B	60,000	–	–	–	60,000
	C	270,000	–	–	–	270,000
Total Management and staffs		330,000	–	–	–	330,000
Advisors and consultants	B	10,048,000	–	–	(1,002,000)	9,046,000
	C	9,882,000	–	–	(1,260,000)	8,622,000
	D	99,000	–	–	–	99,000
Total advisors and consultants		20,029,000	–	–	(2,262,000)	17,767,000
Total		33,494,000	–	–	(7,062,000)	26,432,000

Note: Mr. Deng Ku Hon and Dr. Ni Aimin resigned as executive directors of the Company on 6 July 2007 and 1 November 2007 respectively.

Option type	Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*
A	31 Aug 2001	31/8/2001-15/5/2011	8.60*	12.000*
B	2 Feb 2004	2/2/2004-7/4/2012	3.40	3.800
C	3 Mar 2005	3/3/2005-7/4/2012	2.325	2.325
D	20 June 2005	20/6/2005-7/4/2012	2.330	2.300

* The price has been adjusted for consolidation of the Company's shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 100 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date of the Group are set out in note 36 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 70.2% and 90.2%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 17.2% and 35.1%, respectively, of the Group's total sales for the year.

None of the Directors or any of its associates or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2008.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2008, the Group had a loan of US$2.7 million (equivalent to HK$21,026,000) made to Multiline Digital Co. Ltd, an independent third party. Full impairment loss for the loan was made in prior years. Details of which are disclosed in note 21 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. RSM Nelson Wheeler.

On behalf of the Board

Zhou Bao Yi
Executive Director

Hong Kong, 25 July 2008

Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Board.

The Board currently consists of three executive directors, one non-executive director and three Independent non-executive directors. One of our Independent non-executive directors has relevant financial management expertise required by the Listing Rules.

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held four regular meetings.

The members of the Board and the attendance of each member are as follows:

Directors	Number of attendance
Executive directors	
Dr. Li Zhong Yuan	4/4
Mr. Lee Jong Dae	4/4
Mr. Zhou Bao Yi (Re-designated from Independent Non-Executive Director on 6 July 2007)	4/4
Mr. Ni Aimin (Resigned on 1 November 2007)	2/4
Mr. Deng Ku Hon (Resigned on 6 July 2007)	1/4
Non-executive director	
Mr. Martin Treffer	2/4
Independent non-executive directors	
Dr. Yan Shi Yun	2/4
Mr. Mu Xiang Ming	2/4
Mr. Jiang Bo (appointed on 31 July 2007)	2/4

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 9 to 10 of this annual report respectively.

CHAIRMAN AND EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan is the Chairman of the Board and Mr. Lee Jong Dae and Mr. Zhou Bao Yi are Executive Directors ("EDS") of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The EDS are responsible for the Group's business development and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three Independent Non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 31 March 2007 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company.

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Mu Xiang Ming, Dr. Yan Shi Yun and Mr. Jiang Bo. The Remuneration Committee has not held any meeting during the year.

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

AUDITORS' REMUNERATION

The Company's external auditors are Messrs. RSM Nelson Wheeler. The audit fee of the Company for the year ended 31 March 2008 and preparation of accountants's report in respect of a major transaction was approximate HK$1.8 million.

AUDIT COMMITTEE

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2008.

During the year, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Directors	**Number of attendance**
Independent Non-executive Directors	
Dr. Yan Shi Yun	2/2
Mr. Mu Xiang Ming	2/2
Mr. Jiang Bo	1/2
Mr. Zhou Bao Yi *(Note)*	0/2

Note: Mr. Zhou Bao Yi was re-designated from an Independent Non-Executive Director to an Executive Director on 6 July 2007.

During the year, the Audit Committee has performed the following duties:

– reviewed with the management and the external auditors the audited financial statements for the year ended 31 March 2008 and the unaudited interim financial statements for the six months ended 30 September 2007, with recommendations to the Board for approval;

– reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and

– reviewed the compliance issues with the regulatory and statutory requirements.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2008.

The Chairman of the Audit Committee, Mr. Jiang Bo, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 September 2007 and for the year ended 31 March 2008, the directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Independent Auditor's Report

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
CHINA HEALTHCARE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China HealthCare Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 99, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
25 July 2008

Consolidated Income Statement

(For the year ended 31 March 2008)

	Note	2008 HK$'000	2007 HK$'000
Turnover	7	**2,867,570**	1,632,961
Cost of sales and services		**(2,841,100)**	(1,620,215)
Gross profit		**26,470**	12,746
Other income	8	**11,411**	6,721
Distribution costs		**(7,480)**	(5,091)
Administrative expenses		**(40,645)**	(41,673)
Impairment losses for doubtful debts		**(407)**	(2,307)
Impairment losses of goodwill		**(493)**	(14,462)
Other operating expenses		**(8,450)**	(20,539)
Loss from operations		**(19,594)**	(64,605)
Finance costs	9	**(12,648)**	(9,011)
Gain on disposal of subsidiaries	33(b)	**10,333**	–
Gain on disposal of an associate		**–**	236
Share of profits of an associate		**–**	8
Loss before tax		**(21,909)**	(73,372)
Income tax expense	10	**(2,091)**	(883)
Loss for the year	11	**(24,000)**	(74,255)
Attributable to:			
Equity holders of the Company		**(25,152)**	(73,210)
Minority interests		**1,152**	(1,045)
		(24,000)	(74,255)
Loss per share (HK$)	14		
– Basic		**(0.11)**	(0.31)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

(At 31 March 2008)

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**11,988**	15,894
Goodwill	16	**27,152**	30,877
Other intangible assets	17	**830**	1,917
Prepayment for acquisition of non-current assets		**6,889**	5,253
Interest in an associate	18	**1**	1
		46,860	53,942
Current assets			
Inventories	19	**14,513**	23,255
Trade receivables	20	**33,563**	18,638
Prepayments, deposits and other receivables		**14,147**	8,171
Loan receivables	21	**27,656**	20,434
Financial assets at fair value through profit or loss	22	**123**	345
Bank balances and cash	23	**59,579**	74,022
		149,581	144,865
Current liabilities			
Trade payables	24	**2,180**	552
Other payables and accrued liabilities		**30,450**	20,647
Amounts due to directors	25	**1,972**	5,311
Derivative component of convertible bonds	26	**4,237**	7,947
Derivative component of redeemable convertible cumulative preference shares	27	**48,559**	42,569
Current tax liabilities		**829**	330
		88,227	77,356
Net current assets		**61,354**	67,509
Total assets less current liabilities		**108,214**	121,451

Consolidated Balance Sheet

(At 31 March 2008)

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Convertible bonds	26	**62,206**	66,643
Redeemable convertible cumulative preference shares	27	**90,607**	81,138
		152,813	147,781
NET LIABILITIES		**(44,599)**	(26,330)
Capital and reserves			
Share capital	29	**23,437**	23,437
Reserves	31	**(81,044)**	(62,496)
Equity attributable to equity holders of the Company		**(57,607)**	(39,059)
Minority interests		**13,008**	12,729
TOTAL EQUITY		**(44,599)**	(26,330)

The financial statements on pages 28 to 99 were approved and authorised for issue by the Board of Directors on 25 July 2008 and signed on its behalf by:

Dr. Li Zhong Yuan
Director

Mr. Zhou Bao Yi
Director

Consolidated Statement of Changes in Equity

(For the year ended 31 March 2008)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Statutory reserves	Convertible bonds reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Sub-total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	23,437	212,308	57,124	–	3,592	360	148	(265,496)	31,473	5,613	37,086
Exchange differences arising on translation of financial statements of overseas operations and net income recognised directly in equity	–	–	–	–	–	2,678	–	–	2,678	360	3,038
Loss for the year	–	–	–	–	–	–	–	(73,210)	(73,210)	(1,045)	(74,255)
Total recognised income and expense for the year	–	–	–	–	–	2,678	–	(73,210)	(70,532)	(685)	(71,217)
Transfer to statutory reserves	–	–	–	179	–	–	–	(179)	–	–	–
Dividend paid to minority equity holders	–	–	–	–	–	–	–	–	–	(597)	(597)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	8,398	8,398
	–	–	–	179	–	–	–	(179)	–	7,801	7,801
At 31 March 2007	23,437	212,308	57,124	179	3,592	3,038	148	(338,885)	(39,059)	12,729	(26,330)
Exchange differences arising on translation of financial statements of overseas operations and net income recognised directly in equity	–	–	–	–	–	6,947	–	–	6,947	1,127	8,074
Loss for the year	–	–	–	–	–	–	–	(25,152)	(25,152)	1,152	(24,000)
Total recognised income and expense for the year	–	–	–	–	–	6,947	–	(25,152)	(18,205)	2,279	(15,926)
Transfer to statutory reserves	–	–	–	868	–	–	–	(868)	–	–	–
Capital contribution by minority equity holders	–	–	–	–	–	–	–	–	–	4,462	4,462
Disposal of subsidiaries	–	–	–	–	–	(343)	–	–	(343)	(6,462)	(6,805)
	–	–	–	868	–	(343)	–	(868)	(343)	(2,000)	(2,343)
At 31 March 2008	23,437	212,308	57,124	1,047	3,592	9,642	148	(364,905)	(57,607)	13,008	(44,599)

Consolidated Cash Flow Statement

(For the year ended 31 March 2008)

	2008	2007
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(21,909)**	(73,372)
Adjustments for:		
Finance costs	**12,648**	9,011
Share of profits of an associate	**–**	(8)
Interest income	**(2,594)**	(3,678)
Reversal of impairment losses for doubtful debts	**–**	(531)
Amortisation of other intangible assets	**385**	330
Depreciation	**5,391**	4,851
Impairment losses for doubtful debts	**407**	2,307
Impairment losses of goodwill	**493**	14,462
Impairment losses for obsolete inventories	**25**	700
Fair value loss/(gain) (realised and unrealised) on financial assets at fair value through profit or loss	**222**	(595)
Gain on repurchase of convertible bonds	**(2,959)**	–
Fair value (gain)/loss on derivative component of convertible bonds	**(3,710)**	5,720
Fair value loss on derivative component of redeemable convertible cumulative preference shares	**5,990**	10,311
Issue cost of derivative component of redeemable convertible cumulative preference shares	**–**	3,640
Gain on disposal of subsidiaries	**(10,333)**	–
Gain on disposal of an associate	**–**	(236)
Loss on disposal of property, plant and equipment	**2,460**	869
Operating cash flows before working capital changes	**(13,484)**	(26,219)
Decrease/(increase) in inventories	**7,166**	(12,755)
Increase in trade receivables	**(16,272)**	(5,583)
Increase in prepayments, deposits and other receivables	**(10,035)**	(2,322)
Increase/(decrease) in trade payables	**3,080**	(856)
Increase/(decrease) in other payables and accrued liabilities	**13,836**	(11,142)
Decrease in amounts due to directors	**(3,339)**	(4)
Cash used in operations	**(19,048)**	(58,881)
Income tax paid	**(1,722)**	(1,036)
Interest paid	**(1,459)**	(1,545)
Net cash used in operating activities	**(22,229)**	(61,462)

Consolidated Cash Flow Statement

(For the year ended 31 March 2008)

	Note	2008 *HK$'000*	2007 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	*33(a)*	**–**	(3,477)
Disposal of subsidiaries	*33(b)*	**13,946**	–
Interest received		**1,866**	2,840
Prepayment for acquisition of non-current assets		**(1,111)**	(5,253)
Purchase of property, plant and equipment		**(8,267)**	(1,622)
Proceeds from disposal of property, plant and equipment		**815**	259
Proceeds from disposal of an associate		**–**	1,980
Purchase of financial assets at fair value through profit or loss		**–**	(3,715)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,965
Advances of loan receivables		**(7,222)**	(19,559)
Repayment of loan receivables		**–**	1,900
Net cash generated from/(used in) investing activities		**27**	(22,682)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable convertible cumulative preference shares		**–**	117,000
Issue cost of redeemable convertible cumulative preference shares paid		**–**	(8,358)
Dividend paid to minority equity holders		**–**	(597)
Repurchase of convertible bonds		**(3,198)**	–
Capital contribution by minority equity holders		**4,462**	–
Net cash generated from financing activities		**1,264**	108,045
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(20,938)**	23,901
Effect of foreign currency exchange rate changes		**6,495**	2,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**74,022**	47,894
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**59,579**	74,022

Notes to the Financial Statements

(For the year ended 31 March 2008)

1. General Information

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 37 and 18 to the financial statements respectively.

2. Adoption of New and Revised HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and derivative components of convertible bonds and redeemable convertible cumulative preference shares which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. Significant Accounting Policies *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. Significant Accounting Policies *(Continued)*

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

3. Significant Accounting Policies *(Continued)*

(c) Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant Accounting Policies *(Continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

3. Significant Accounting Policies *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual value over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

3. Significant Accounting Policies *(Continued)*

(e) Property, plant and equipment *(Continued)*

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease term.

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally-generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(h) Patents and computer software

Patents and computer software are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of five to ten years.

3. Significant Accounting Policies *(Continued)*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

3. Significant Accounting Policies *(Continued)*

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. Significant Accounting Policies *(Continued)*

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Convertible bonds

(i) Convertible bonds issued with equity components

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(ii) Convertible bonds issued with derivative components

Convertible bonds which entitle the holder to convert into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest rate method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

3. Significant Accounting Policies *(Continued)*

(p) Convertible bonds *(Continued)*

(ii) Convertible bonds issued with derivative components *(Continued)*

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

(q) Redeemable convertible cumulative preference shares

Redeemable convertible cumulative preference shares which entitle the holder to convert into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the redeemable convertible cumulative preference shares based on the allocation of proceeds to the liability and derivative components when the instruments on initial recognition.

(r) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(Continued)*

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from E-commerce distribution of mobile pre-charge are recognised on delivery of relevant data to the customers.

Service fee income is recognised when the service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick level and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

3. Significant Accounting Policies *(Continued)*

(u) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Share-based payments

The Group issues equity-settled share-based payments to employees and consultants. Equity settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(w) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(x) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

3. Significant Accounting Policies *(Continued)*

(y) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies *(Continued)*

(y) Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. Significant Accounting Policies *(Continued)*

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

3. Significant Accounting Policies *(Continued)*

(bb) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant Accounting Policies *(Continued)*

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(dd) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debt based on an assessment of the recoverability of trade and other receivables. Impairments are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

4. Key Sources of Estimation Uncertainty *(Continued)*

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions applied in the cash flows projections, could significantly affect the Group's reported financial condition and results of operation.

(d) Fair value of embedded derivatives

As disclosed in notes 26 and 27 to the financial statements, the fair values of the derivative components of convertible bonds and redeemable convertible cumulative preference shares at the dates of issue and the balance sheet dates were determined using option pricing models with reference to the valuations performed by an independent valuer. Application of option pricing models requires the Group to choose an appropriate option model and to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative components, the expected volatility of the share price of the Company and the potential dilution in the share price of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative components of convertible bonds and redeemable convertible cumulative preference shares in the period in which such determination is made.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars and Renminbi ("RMB") and the functional currencies of the principle operating entities of the Group are HK$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's derivative components of convertible bonds and redeemable cumulative preference shares are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk.

At 31 March 2008, if the share price of the Company and its volatility had increased by 10% with all other variables held constant and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated loss after tax for the year would have been HK$4,016,000 (2007: HK$19,125,000) higher, arising from changes in fair value of the derivative components of convertible bonds and redeemable convertible cumulative preference shares.

If the share price of the Company and its volatility had decreased by 10% with all other variables held constant and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated loss after tax for the year would have been HK$3,349,000 (2007: HK$18,127,000) lower, arising from changes in fair value of derivative components of convertible bonds and redeemable convertible cumulative preference shares.

5. Financial Risk Management *(Continued)*

(c) Credit risk

The carrying amounts of the cash and bank balances, trade and other receivables, and loan receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

Except for the loan receivables, the Group has no significant concentrations of credit risk.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, the directors review the recoverable amount of each individual trade debt and loan regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

5. Financial Risk Management *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31 March 2008			
Trade payables	**2,180**	**–**	**–**
Other payables and accrued liabilities	**30,450**	**–**	**–**
Amount due to directors	**1,972**	**–**	**–**
Convertible bonds	**1,720**	**45,634**	**18,529**
Redeemable convertible cumulative preference shares	**2,340**	**2,340**	**120,096**
At 31 March 2007			
Trade payables	552	–	–
Other payables and accrued liabilities	20,647	–	–
Amount due to directors	5,311	–	–
Convertible bonds	1,912	1,912	70,216
Redeemable convertible cumulative preference shares	2,340	2,340	122,436

(e) Interest rate risk

The interest rates of the convertible bonds and redeemable convertible cumulative preference shares are fixed as disclosed in notes 26 and 27 to the financial statements respectively and expose the Group to fair value interest rate risks.

The Group's bank deposits bear interests at variable rates varied with the then prevailing market condition and expose the Group to cash flow interest rate risk.

The Group's result is not sensitive to changes in interest rate as the Group's borrowings are at fixed interest rates and the interest income generated from bank deposits is insignificant.

5. Financial Risk Management *(Continued)*

(f) Fair values

Except for the convertible bonds and redeemable convertible cumulative preference shares disclosed in 26 and 27 to the financial statements respectively, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. Segment Information

(a) Primary reporting format – business segments

The Group is currently organised into four operating divisions – (i) production and trading of biotechnology products, (ii) procurement of healthcare services, (iii) E-commerce distribution of mobile pre-charge and (iv) investment holding.

(b) Secondary reporting format – geographical segments

The Group's operations and its operating assets are principally located in Hong Kong and other regions of the People's Republic of China (the "PRC"). Accordingly, no geographical segment information is presented.

6. Segment Information *(Continued)*

Primary reporting format – business segments

Consolidated income statement

For the year ended 31 March 2008

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Consolidated HK$'000
Segment revenue	**5,884**	**4,181**	**2,857,505**	**–**	**2,867,570**
Segment results	**(4,542)**	**(7,681)**	**6,863**	**–**	**(5,360)**
Other income					**11,411**
Unallocated corporate expenses					**(25,645)**
Loss from operations					**(19,594)**
Finance costs					**(12,648)**
Gain on disposal of subsidiaries					**10,333**
Loss before tax					**(21,909)**

For the year ended 31 March 2007

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Consolidated HK$'000
Segment revenue	2,852	3,033	1,627,076	–	1,632,961
Segment results	(3,221)	(11,915)	4,694	–	(10,442)
Other income					6,721
Unallocated corporate expenses					(60,884)
Loss from operations					(64,605)
Finance costs					(9,011)
Gain on disposal of an associate					236
Share of profits of an associate					8
Loss before tax					(73,372)

6. Segment Information *(Continued)*

Primary reporting format – business segments *(Continued)*

Consolidated balance sheet

At 31 March 2008

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**3,001**	**15,221**	**74,671**	**1**	**92,894**
Unallocated corporate assets					**103,547**
Consolidated total assets					**196,441**
LIABILITIES					
Segment liabilities	**532**	**3,509**	**14,065**	**–**	**18,106**
Unallocated corporate liabilities					**222,934**
Consolidated total liabilities					**241,040**

At 31 March 2007

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	8,164	18,292	66,782	1	93,239
Unallocated corporate assets					105,568
Consolidated total assets					198,807
LIABILITIES					
Segment liabilities	781	2,955	5,824	–	9,560
Unallocated corporate liabilities					215,577
Consolidated total liabilities					225,137

6. Segment Information *(Continued)*

Primary reporting format – business segments *(Continued)*

Other information

For the year ended 31 March 2008

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
Additions:						
– Property, plant and equipment	**4,596**	**134**	**3,182**	**–**	**355**	**8,267**
Impairment losses for obsolete inventories	**–**	**25**	**–**	**–**	**–**	**25**
Impairment losses for doubtful debts	**7**	**130**	**4**	**–**	**266**	**407**
Impairment losses of goodwill	**–**	**–**	**493**	**–**	**–**	**493**
Amortisation of other intangible assets	**174**	**–**	**211**	**–**	**–**	**385**
Depreciation	**404**	**1,886**	**2,707**	**–**	**394**	**5,391**

For the year ended 31 March 2007

	Production and trading of biotechnology products HK$'000	Procurement of healthcare services HK$'000	E-commerce distribution of mobile pre-charge HK$'000	Investment holding HK$'000	Unallocated corporate assets HK$'000	Consolidated HK$'000
Additions:						
– Property, plant and equipment	73	1,926	7,001	–	155	9,155
– Goodwill	–	2,348	19,105	–	–	21,453
– Other intangible assets	–	–	1,050	–	–	1,050
Impairment losses for obsolete inventories	613	87	–	–	–	700
Impairment losses for doubtful debts	1,765	–	483	–	59	2,307
Impairment losses of goodwill	8,301	6,161	–	–	–	14,462
Amortisation of other intangible assets	198	–	132	–	–	330
Depreciation	344	2,392	1,726	–	389	4,851

7. Turnover

An analysis of the Group's turnover which represents sales of biotechnology products and revenue from E-commerce distribution of mobile pre-charge and healthcare services is as follows:

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of biotechnology products	**5,884**	2,852
Revenue from E-commerce distribution of mobile pre-charge	**2,857,505**	1,627,076
Income of healthcare services	**4,181**	3,033
	2,867,570	1,632,961

8. Other Income

	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,458**	2,805
Other interest income	**1,136**	873
Reversal of impairment losses for doubtful debts	**–**	531
Government subsidies	**1,303**	665
Fair value gains (realised and unrealised) on financial assets at fair value through profit or loss	**–**	595
Fair value gain on derivative component of convertible bonds	**3,710**	–
Gain on repurchase of convertible bonds	**2,959**	–
Sundry income	**845**	1,252
	11,411	6,721

9. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest on convertible bonds wholly repayable within five years	**3,179**	3,023
Interest on other loans wholly repayable within five years	**–**	31
Interest on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**9,469**	5,957
	12,648	9,011

10. Income Tax Expense

	2008 HK$'000	2007 HK$'000
Current tax – PRC		
Provision for the year	**2,079**	883
Under-provision in prior year	**12**	–
	2,091	883

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not generate any assessable profit arising from Hong Kong for the year.

Tax charge on profits assessable in the PRC have been calculated at the rates of tax prevailing in the PRC in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. Income Tax Expense *(Continued)*

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax	**(21,909)**	(73,372)
Tax at the Hong Kong Profits Tax rate of 17.5%	**(3,834)**	(12,840)
Tax effect of income that is not taxable in determining taxable profit	**(8,073)**	(2,259)
Tax effect of expenses that are not deductible in determining taxable profit	**11,313**	16,350
Tax effect of losses not recognised due to uncertainty on future profit streams	**1,769**	139
Tax effect of difference on depreciation between tax and accounting purposes	**295**	39
Effect of different tax rates operating in other jurisdiction	**609**	(546)
Under-provision in prior year	**12**	–
Income tax expense	**2,091**	883

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax for domestic and foreign enterprises at 25%. The new tax law became effective from 1 January 2008.

11. Loss for the Year

Loss for the year is stated after charging/(crediting) the following:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets included in administrative expenses	**385**	330
Auditors' remuneration	**1,800**	1,358
Cost of inventories recognised as expenses *(Note)*	**2,480,318**	1,617,088
Depreciation	**5,391**	4,851
Net exchange losses	**531**	375
Fair value loss on financial assets at fair value through profit or loss	**222**	–
Fair value (gain)/loss on derivative component of convertible bonds	**(3,710)**	5,720
Fair value loss on derivative component of redeemable convertible cumulative preference shares	**5,990**	10,311
Impairment losses for obsolete inventories	**25**	700
Loss on disposal of property, plant and equipment	**2,460**	869
Operating leases payments in respect of land and buildings	**5,007**	4,977
Research and development expenditure	**1,697**	278
Staff costs (including directors' remuneration)		
– Salaries and allowances	**15,750**	16,047
– Retirement benefit scheme contributions	**1,123**	1,122
	16,873	17,169

Note: Other than the purchase cost of finished goods, raw materials and consumables and other overhead, cost of inventories recognised included staff costs, depreciation and operating lease payments with total of HK$795,000 (2007: HK$813,000).

12. Directors' Remuneration and Highest Paid Employees

Directors' remuneration

The remuneration of every director for the year ended 31 March 2008 is set out below:

Name	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Li Zhong Yuan	–	2,496	12	2,508
Dr. Ni Aimin (Resigned on 1 November 2007)	–	583	6	589
Mr. Lee Jong Dae	–	2,040	12	2,052
Mr. Deng Ku Hon (Resigned on 6 July 2007)	–	200	–	200
Mr. Zhou Bao Yi (Re-designated on 6 July 2007)	–	227	–	227
Non-executive director				
Mr. Martin Treffer	–	–	–	–
Independent non-executive directors				
Mr. Mu Xiang Ming	100	–	–	100
Dr. Yan Shi Yun	83	–	–	83
Mr. Jiang Bo (Appointed on 31 July 2007)	–	–	–	–
Total	183	5,546	30	5,759

12. Directors' Remuneration and Highest Paid Employees *(Continued)*

Directors' remuneration *(Continued)*

The remuneration of every director for the year ended 31 March 2007 is set out below:

Name	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Li Zhong Yuan	–	2,615	12	2,627
Dr. Ni Aimin	–	1,533	12	1,545
Mr. Lee Jong Dae	–	2,140	12	2,152
Mr. Deng Ku Hon	–	1,000	12	1,012
Non-executive directors				
Mr. Robin Willi (Resigned on 15 August 2006)	–	–	–	–
Mr. Martin Treffer	–	–	–	–
Independent non -executive directors				
Mr. Li Xiao Ru (Resigned on 29 August 2006)	500	–	–	500
Dr. Ma Yin Ming (Resigned on 30 November 2006)	–	–	–	–
Mr. Mu Xiang Ming	175	–	–	175
Dr. Yan Shi Yun (Appointed on 29 August 2006)	–	–	–	–
Mr. Zhou Bao Yi (Appointed on 1 December 2006)	–	–	–	–
Total	675	7,288	48	8,011

Details of share options granted to the directors are set out in note 32 to the financial statements. None of the directors has waived any emoluments during the both years.

12. Directors' Remuneration and Highest Paid Employees *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Highest paid employees

The five highest paid employees of the Group included four (2007: five) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2007: Nil) individual for the year ended 31 March 2008 are set out below:

	HK$'000
Salaries and other benefits	286
Retirement benefit scheme contributions	12
	298

During the years ended 31 March 2007 and 2008, no emoluments have been paid or payable by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividend

No dividend has been paid or declared by the Company during the year (2007: Nil).

14. Loss Per Share

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share (loss for the year attributable to equity holders of the Company)	**(25,152)**	(73,210)

	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss per share	**234,367,577**	234,367,577

As the exercise of the Company's outstanding convertible bonds and redeemable convertible cumulative preference shares for both years would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options, no diluted loss per share was presented in both years.

15. Property, Plant and Equipment

	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2006	–	6,139	1,206	6,133	3,313	16,791
Exchange realignment	41	289	286	326	99	1,041
Additions	–	99	108	1,412	3	1,622
Disposals/write off	(931)	–	(34)	(6)	(248)	(1,219)
Reclassification/transfer from inventories	–	–	(92)	114	–	22
Acquired on acquisition of a subsidiary	890	253	4,646	1,330	414	7,533
At 31 March 2007	–	6,780	6,120	9,309	3,581	25,790
Exchange realignment	–	438	674	745	159	2,016
Additions	–	212	2,619	4,845	591	8,267
Disposals/write off	–	(4,088)	(1,085)	(1,552)	(2,152)	(8,877)
Reclassification/transfer to inventories	–	–	(125)	(61)	–	(186)
Disposal of subsidiaries	–	(538)	(1,486)	(4,951)	(408)	(7,383)
At 31 March 2008	–	2,804	6,717	8,335	1,771	19,627
Accumulated depreciation						
At 1 April 2006	–	1,242	512	1,312	1,757	4,823
Exchange realignment	–	92	100	93	28	313
Provided for the year	–	1,263	1,453	1,688	447	4,851
Elimination on disposals/write off	–	–	(23)	(1)	(67)	(91)
Reclassification	–	–	(76)	76	–	–
At 31 March 2007	–	2,597	1,966	3,168	2,165	9,896
Exchange realignment	–	208	340	383	58	989
Provided for the year	–	817	1,985	2,165	424	5,391
Elimination on disposals/write off	–	(1,751)	(820)	(1,059)	(1,972)	(5,602)
Reclassification	–	–	82	(82)	–	–
Disposal of subsidiaries	–	(538)	(1,134)	(954)	(409)	(3,035)
At 31 March 2008	–	1,333	2,419	3,621	266	7,639
Carrying amounts						
At 31 March 2008	–	1,471	4,298	4,714	1,505	11,988
At 31 March 2007	–	4,183	4,154	6,141	1,416	15,894

16. Goodwill

	HK$'000
Cost	
At 1 April 2006	35,498
Arising on acquisition of subsidiaries and additional equity interests in a subsidiary	21,453
At 31 March 2007	56,951
Disposal of subsidiaries	(17,133)
At 31 March 2008	39,818
Accumulated impairment	
At 1 April 2006	11,612
Impairment loss recognised during the year	14,462
At 31 March 2007	26,074
Disposal of subsidiaries	(13,901)
Impairment loss recognised during the year	493
At 31 March 2008	12,666
Carrying amounts	
At 31 March 2008	27,152
At 31 March 2007	30,877

16. Goodwill *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses for the current year, the carrying amount of goodwill had been allocated as follows:

	2008	2007
	HK$'000	*HK$'000*
Production and trading of biotechnology products:		
Shanghai Haoyuan Biotechnology Co., Ltd.	**–**	11,533
Procurement of healthcare services:		
Beijing Universal Medical Assistance Co., Ltd.	**8,540**	11,140
CHC (Shanghai) Medical & Healthcare Services Limited	**–**	2,015
Shanghai New Everstep Investment Management and Consultancy Limited ("SNEI")	**–**	1,546
E-commerce distribution of mobile pre-charge:		
Shanghai Harvest Network Technology Co. Limited and its subsidiary ("Harvest Group")	**18,612**	18,612
Shanghai Epay Information Technology Company Limited ("Shanghai Epay")	**493**	493
	27,645	45,339

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years with the residual period using the growth rate of 2.5%. This rate does not exceed the average long-term growth rate for the relevant markets.

16. Goodwill *(Continued)*

The rate used to discount the forecast cash flows from the Group's procurement of healthcare services activities and E-commerce distribution of mobile pre-charge activities are 11.5% and 11.0% respectively.

As Shanghai Epay recorded an operating loss during the year, the directors evaluated the business activity and future performance of Shanghai Epay and considered that the goodwill arising from the acquisition of Shanghai Epay was fully impaired. Accordingly impairment loss of goodwill amounted to HK$493,000 attributable to the Group's equity interests in Shanghai Epay was recognised in the consolidated income statement.

17. Other Intangible Assets

	Patents	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 April 2006	1,449	–	1,449
Exchange realignment	66	43	109
Acquired on acquisition of subsidiaries	–	1,050	1,050
At 31 March 2007	1,515	1,093	2,608
Exchange realignment	115	109	224
Disposal of subsidiaries	(1,630)	–	(1,630)
At 31 March 2008	–	1,202	1,202
Amortisation			
At 1 April 2006	338	–	338
Exchange realignment	20	3	23
Charge for the year	198	132	330
At 31 March 2007	556	135	691
Exchange realignment	49	26	75
Disposal of subsidiaries	(779)	–	(779)
Charge for the year	174	211	385
At 31 March 2008	–	372	372
Carrying amounts			
At 31 March 2008	–	830	830
At 31 March 2007	959	958	1,917

17. Other Intangible Assets *(Continued)*

The Group's patents protect the design and specification of the Group's biotechnology products. The average remaining amortisation period of the computer software is 4 years (2007: 5 years).

18. Interest in an Associate

	2008	2007
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**1**	1
Amount due from an associate	**151**	151
	152	152
Less: Impairment loss for amount due from an associate	**(151)**	(151)
	1	1

Particulars of the associate of the Group as at 31 March 2008 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and paid-up capital	Class of shares held	Percentage of interest in ownership			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Moment Touch Management Limited	British Virgin Islands/ Hong Kong	US$100	Ordinary	40%	–	40%	Marketing/sales of cosmetic products

18. Interest in an Associate *(Continued)*

Summarised financial information in respect of the associate of the Group is set out below:

	2008	2007
	HK$'000	*HK$'000*
Total assets	**1**	1
Total liabilities	**(170)**	(165)
Net liabilities	**(169)**	(164)
Revenue	**–**	–
Loss for the year	**(8)**	(5)

The Group has not recognised its share of loss for the year amounting to HK$3,000 (2007: HK$2,000) for Moment Touch Management Limited. The accumulated losses not recognised were HK$69,000 (2007: HK$66,000).

19. Inventories

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**142**	847
Finished goods	**14,371**	22,408
	14,513	23,255

20. Trade Receivables

The normal credit period granted to customers of the E-commerce distribution of mobile pre-charge is 3 to 7 days. The credit terms granted to other customers generally ranged from 10 to 90 days. An ageing analysis of the trade receivables, based on invoice date, and net of allowance, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**32,953**	17,395
31 to 60 days	**254**	79
61 to 90 days	**347**	151
91 to 120 days	**–**	222
Over 120 days	**9**	791
Total	**33,563**	18,638

The carrying amounts of the Group's trade receivables are denominated in RMB.

As at 31 March 2008, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,295,000 (2007: HK$8,742,000). The movement in the allowance for estimated irrecoverable trade receivables during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**8,742**	818
Exchange realignment	**732**	157
Impairment loss recognised	**460**	560
Acquisition of subsidiaries	**–**	7,207
Disposal of subsidiaries	**(1,639)**	–
At end of the year	**8,295**	8,742

20. Trade Receivables *(Continued)*

As of 31 March 2008, trade receivables of HK$184,000 (2007: HK$859,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Up to 3 months	**175**	230
3 to 6 months	**7**	278
Over 6 months	**2**	351
	184	859

21. Loan Receivables

	2008	2007
	HK$'000	*HK$'000*
Secured term loans	**37,618**	37,618
Unsecured term loans	**11,064**	3,842
	48,682	41,460
Less: Impairment losses	**(21,026)**	(21,026)
	27,656	20,434

The carrying amounts of the Group's loan receivables are denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	**20,434**	20,434
RMB	**7,222**	–
	27,656	20,434

21. Loan Receivables *(Continued)*

The interest rates received were as follows:

	2008	2007
Secured term loans	**5.5% – 5.75%**	5.5% – 5.75%
Unsecured term loans	**5% – 8%**	5% – 8%

The Group's loan receivables are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

22. Financial Assets at Fair Value Through Profit or Loss

	2008	2007
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**48**	192
Listed outside Hong Kong	**75**	153
Market value of listed securities	**123**	345

The carrying amounts of the above financial assets are classified as held for trading.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through fair value gains. The fair values of listed securities are based on quoted market prices.

23. Bank Balances and Cash

As at 31 March 2008, the bank balances and cash of the Group denominated in RMB amounted to HK$46,905,000 (2007: HK$22,483,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Trade Payables

An ageing analysis of trade payables, based on the date of receipt of goods is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**1,207**	444
31 to 60 days	**9**	5
61 to 90 days	**–**	12
91 to 120 days	**1**	23
Over 120 days	**963**	68
Total	**2,180**	552

The carrying amounts of the Group's trade payables are denominated in RMB.

25. Amounts Due to Directors

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

26. Convertible Bonds

	2008	2007
	HK$'000	*HK$'000*
Liability component of convertible bonds		
Convertible bonds issued with equity component *(note a)*	**44,565**	49,904
Convertible bonds issued with derivative component *(note b)*	**17,641**	16,739
	62,206	66,643
Derivative component of convertible bonds *(note b)*	**4,237**	7,947

26. Convertible Bonds *(Continued)*

The maturity of the liability component of the convertible bonds is as follows:

	2008	2007
	HK$'000	*HK$'000*
In the second to fifth years inclusive	**62,206**	66,643

Notes:

(a) *Convertible bonds issued with equity component*

On 19 May 2005, the Company issued convertible bonds with a nominal value of US$6,600,000 due on 18 May 2009 ("CB1"). CB1 carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. Each CB1 entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB1 remain outstanding on the maturity date, the Company will redeem the principal of CB1 at 100% of their face value.

The net proceeds received for the issue of CB1 have been split between the liability element and an equity component. The movement of the liability element is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**49,904**	48,992
Interest charged for the year	**2,277**	2,457
Interest paid for the year	**(1,459)**	(1,545)
Repurchase during the year	**(6,157)**	–
At end of the year	**44,565**	49,904

The interest charged on CB1 for the year is calculated by applying an effective interest rate of 5.135% to the liability component.

The directors estimate the fair value of the liability component of CB1 at 31 March 2008 to be approximately HK$49,583,000 (2007: HK$47,461,000). The fair value has been calculated by discounting the future cash flows at the market rate.

26. Convertible Bonds *(Continued)*

Notes: (Continued)

(a) *Convertible bonds issued with equity component (Continued)*

On 21 June 2007, the Group repurchased CB1 with principal amount of US$820,000 (HK$6,396,000) at a consideration of US$410,000 (equivalent to HK$3,198,000).

(b) *Convertible bonds issued with derivative component*

On 7 August 2006, the Company issued convertible bonds with a nominal value of HK$18,400,000 due on 6 August 2010 ("CB2"). CB2 carries interests at 2% per annum payable semi-annually in arrears with the first interest payment due on 6 February 2007 and the last interest payment due on 6 August 2010. During the period from 7 August 2006 to 6 August 2010, each CB2 entitles the holder to convert the bonds into new ordinary shares of the Company at the lower of the following:

(i) the initial conversion price, subject to adjustment, of HK$1.16; and

(ii) the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, if CB2 remain outstanding on the maturity date, the Company will redeem the principal of CB2 at 100% of their face value. Details are disclosed in the Company's circular dated 16 June 2006.

The fair value of the derivative component, representing the embedded options entitled to the holders of CB2, was estimated at the issuance and each balance sheet date using an option pricing model and the change in fair value of that component is recognised in the income statement.

The movement of the derivative and liability components of CB2 during the year is set out below:

	2008 *HK$'000*	2007 *HK$'000*
Derivative component		
At beginning of the year/date of issue	**7,947**	2,227
Fair value (gain)/loss	**(3,710)**	5,720
At end of the year	**4,237**	7,947

26. Convertible Bonds *(Continued)*

Notes: (Continued)

(b) Convertible bonds issued with derivative component (Continued)

	2008	2007
	HK$'000	*HK$'000*
Liability component		
At beginning of the year/date of issue	**16,739**	16,173
Interest charged for the year	**902**	566
At end of the year	**17,641**	16,739

The interest charged on CB2 for the year is calculated by applying an effective interest rate of 5.479% to the liability component.

The directors estimate the fair value of the liability component of CB2 at 31 March 2008 to be approximately HK$16,273,000 (2007: HK$15,451,000). This fair value has been calculated by discounting the future cash flows at the market rate.

The derivative component of CB2 was revalued at 31 March 2007 and 31 March 2008 based on valuations by independent valuers, determined using option pricing models. The significant inputs to the models were as follows:

	2008	2007
Share price of underlying shares	**HK$0.40**	HK$1.45
Exercise price	**HK$1.16**	HK$1.16
Expected volatility	**81.0%**	74.9%
Expected life	**2.35 years**	1 year
Risk-free rate	**1.3%**	3.73%
Expected dividend yield	**Nil**	Nil

27. Redeemable Convertible Cumulative Preference Shares

On 28 July 2006, the Company issued 15,000 redeemable convertible cumulative preference shares of US$0.01 each ("PS") for a total cash consideration of US$15,000,000 (equivalent to HK$117,000,000). The PS carries dividend at 2% per annum, subject to adjustment to 5% on certain special events payable semi-annually in arrears. The maturity date of the PS is falling on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the PS. At any time from 28 July 2006 to maturity date, each PS entitles the holder to convert the preference shares into new ordinary shares of the Company at the lower of the following:

(a) the initial conversion price, subject to adjustment, of HK$1.16; and

(b) the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, the holder of the PS shall have the right at any time to require the Company to redeem all or any of the then outstanding PS held by it at the early redemption amount of such number of PS so redeemed, provided that the holder of the PS may not exercise such right prior to the maturity date if and for so long as any of certain special events shall not have occurred. Details are disclosed in the Company's circular dated 16 June 2006.

The fair value of the derivative component, representing the embedded options entitled to the holders of PS, was estimated at the issuance and each balance sheet date using an option pricing model and the change in fair value of that component is recognised in the income statement.

The movement of the derivative and liability components of PS during the year is set out below:

	2008	2007
	HK$'000	*HK$'000*
Derivative component		
At beginning of the year/date of issue	**42,569**	32,258
Fair value loss	**5,990**	10,311
At end of the year	**48,559**	42,569

27. Redeemable Convertible Cumulative Preference Shares *(Continued)*

	2008	2007
	HK$'000	*HK$'000*
Liability component		
At beginning of the year/date of issue	**81,138**	75,181
Interest charged for the year	**9,469**	5,957
At end of the year	**90,607**	81,138

The interest charged for the year is calculated by applying the effective interest rate of 11.965% to the liability component.

The directors estimate the fair value of the liability component of PS at 31 March 2008 to be approximately HK$98,460,000 (2007: HK$93,621,000). This fair value has been calculated by discounting the future cash flows at the market value.

The derivative component of redeemable convertible cumulative preference shares were revalued at 31 March 2007 and 31 March 2008 based on valuations by independent valuers, determined using option pricing models. The significant inputs to the models were as follows:

	2008	2007
Share price of underlying shares	**HK$0.40**	HK$1.45
Exercise price	**HK$1.16**	HK$1.16
Expected volatility	**81.0%**	74.9%
Expected life	**3.32 years**	1 year
Risk-free rate	**1.6%**	3.7%
Expected dividend yield	**Nil**	Nil

28. Deferred Taxation

At the balance sheet date the Group has unused tax losses of approximately HK$40,045,000 (2007: HK$37,843,000) and other temporary differences of HK$15,496,000 (2007: HK$14,079,000) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other temporary differences due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$40,045,000 (2007: HK$35,421,000) that will be expired from 2008 to 2013. Other losses may be carried forward indefinitely.

29. Share Capital

	2008		2007	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Redeemable convertible cumulative preference shares of US$0.01 each *(Note 27)*	**15,000**	**1**	15,000	1
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning and end of year	**234,367,577**	**23,437**	234,367,577	23,437

Details of changes in the share capital of the Company are as follows:

(a) Pursuant to an ordinary resolution passed on 10 July 2006, the authorised share capital of the Company of HK$1,500,000,000 comprising 5,000,000,000 ordinary shares of HK$0.1 each and 100,000,000 non-voting preference shares of HK$10 each be altered and reduced by:

(i) the cancellation of the authorised but unissued 100,000,000 non-voting preference shares of HK$10 each; and

(ii) the creation of 15,000 PS of US$0.01 each, with the respective rights and privileges and subject to the restrictions as set out in note 27 and the Company's circular dated 16 June 2007

to an aggregate of HK$500,000,000 comprising 5,000,000,000 ordinary shares of HK$0.1 each and US$150 comprising 15,000 PS.

29. Share Capital *(Continued)*

(b) The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2008, 87.6% (2007: 87.1%) of the shares were in public hands.

30. Balance Sheet of the Company

	2008 *HK$'000*	2007 *HK$'000*
Investments in subsidiaries	**24,552**	24,552
Due from subsidiaries	**153,669**	141,070
Other current assets	**2,014**	2,254
Due to subsidiaries	**(17,224)**	(942)
Convertible bonds	**(68,521)**	(66,643)
Redeemable convertible cumulative preference shares	**(90,607)**	(81,138)
Other current liabilities	**(61,424)**	(57,732)
NET LIABILITIES	**(57,541)**	(38,579)
Share capital	**23,437**	23,437
Reserves	**(80,978)**	(62,016)
TOTAL EQUITY	**(57,541)**	(38,579)

31. Reserves

(a) The Group

Details of the movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 31.

(b) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus arose in the previous years represented the net effect of the capital reduction, the share premium cancellation and the elimination of accumulated losses of the Company.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31 March 2008, the Company did not have any reserve available for distribution to shareholders.

(iii) Statutory reserves

Statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Company's PRC subsidiaries under the applicable laws and regulations in the PRC.

31. Reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iv) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised/repurchased equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 3(p)(i) to the financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d)(iii) to the financial statements.

(vi) Share option reserve

Share option reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy of share-based payments detailed in note 3(v) to the financial statements.

(c) The Company

	Share premium	Contributed surplus	Convertible bonds reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	212,308	57,124	3,592	148	(257,351)	15,821
Loss for the year	–	–	–	–	(77,837)	(77,837)
At 31 March 2007	212,308	57,124	3,592	148	(335,188)	(62,016)
Loss for the year	–	–	–	–	(18,962)	(18,962)
At 31 March 2008	212,308	57,124	3,592	148	(354,150)	(80,978)

32. Share Option Schemes

Pursuant to the share option scheme adopted by the Company in 2001 (the "Old Scheme"), the company may grant options to any directors or full time employees of the Company or its subsidiaries to subscribe for shares in the Company at a subscription price which is the higher of 80% of the average closed price of the Company's shares for the five trading days immediately preceding the date of grant or the nominal value of the Company's shares. The Old Scheme was replaced by the Company's existing share option scheme (the "New Scheme") which was adopted pursuant to a resolution passed on 8 April 2002, and will expire on 7 April 2012. All outstanding options continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Under the New Scheme, the Board of Directors of the Company may grant options to eligible officers and employees, including directors of the Company and its subsidiaries ("Eligible Persons"), to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties who (i) have previously been and continue to be retained by the Group to provide business, legal or tax consultancy services or other professional services, whose expertise is valuable to the business development of the Group; or (ii) introduce investment opportunities to the Group; or (iii) contribute by way of introduction of new business to the Group.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The Company may seek approval by the Company's shareholders in general meeting for granting options beyond the 10% limit, provided that the options in excess of the limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. Pursuant to a special resolution passed by the shareholders at a special general meeting held on 17 February 2005, the maximum number of options that can be granted by the Company to the Eligible Persons has been refreshed to 10% of number of shares in issue at the date of passing the special resolution. The total number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time.

The number of share in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

32. Share Option Schemes *(Continued)*

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the options, the Eligible Person shall pay HK$1 to the Company by way of consideration for the grant. Options may be exercises at any time from the date of grant to the expiry date of the New Scheme. The exercise price is determined by the directors of the Company, and shall be the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

Particulars of share options granted by the Company as at 31 March 2007 and 2008 are as follows:

Option type	Date of grant	Exercisable period From	Exercisable period To	Exercise price
A	31 August 2001	31 August 2001	15 May 2011	8.6
B	2 February 2004	2 February 2004	7 April 2012	3.4
C	3 March 2005	3 March 2005	7 April 2012	2.325
D	20 June 2005	20 June 2005	7 April 2012	2.33

The following tables summarise the movements in the Company's share options during the year ended 31 March 2008:

Old Scheme

		Number of share options		
	Option type	Outstanding at 1 April 2007	Lapsed/ Exercised	Outstanding at 31 March 2008
Directors	A	25,000	–	25,000

32. Share Option Schemes *(Continued)*

New Scheme

	Option type	Number of share options: Outstanding at 1 April 2007	Granted	Lapsed	Outstanding at 31 March 2008
Directors	B	6,000,000	–	(3,000,000)	3,000,000
	C	7,110,000	–	(1,800,000)	5,310,000
Total of directors		13,110,000	–	(4,800,000)	8,310,000
Employees	B	60,000	–	–	60,000
	C	270,000	–	–	270,000
Total of employees		330,000	–	–	330,000
Advisors and consultants	B	10,048,000	–	(1,002,000)	9,046,000
	C	9,882,000	–	(1,260,000)	8,622,000
	D	99,000	–	–	99,000
Total of advisors and consultants		20,029,000	–	(2,262,000)	17,767,000
Total		33,469,000	–	(7,062,000)	26,407,000

32. Share Option Schemes *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2007:

Old Scheme

	Option type	Number of share options: Outstanding at 1 April 2006	Lapsed/ Exercised	Outstanding at 31 March 2007
Directors	A	25,000	–	25,000

New Scheme

	Option type	Number of share options: Outstanding at 1 April 2006	Reallocation *(Note)*	Granted	Lapsed	Outstanding at 31 March 2007
Directors	B	7,002,000	(1,002,000)	–	–	6,000,000
	C	8,370,000	(1,260,000)	–	–	7,110,000
Total of directors		15,372,000	(2,262,000)	–	–	13,110,000
Employees	B	150,000	–	–	(90,000)	60,000
	C	390,000	–	–	(120,000)	270,000
Total of employees		540,000	–	–	(210,000)	330,000
Advisors and consultants	B	9,046,000	1,002,000	–	–	10,048,000
	C	8,622,000	1,260,000	–	–	9,882,000
	D	99,000	–	–	–	99,000
Total of advisors and consultants		17,767,000	2,262,000	–	–	20,029,000
Total		33,679,000	–	–	(210,000)	33,469,000

32. Share Option Schemes *(Continued)*

New Scheme *(Continued)*

Note: The directors resigned during the year ended 31 March 2007 remain as advisors within the Group and are therefore continued to be eligible as holders of the options granted under the New Scheme. Accordingly, the outstanding options of the resigned directors were reallocated under advisors and consultants.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Average exercise price in HK$ per share	**Number of share options**	Average exercise price in HK$ per share	Number of share options
At beginning of the year	**2.846**	**33,494,000**	2.846	33,704,000
Lapsed	**2.934**	**(7,062,000)**	2.786	(210,000)
At end of the year	**2.823**	**26,432,000**	2.846	33,494,000

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.02 years (2007: 5.02 years).

32. Share Option Schemes *(Continued)*

New Scheme *(Continued)*

The fair values of options granted to the Eligible Persons on 3 March 2005 and 20 June 2005 determined using the Black-Scholes valuation model were HK$33,145,000 and HK$148,000 respectively. The significant inputs into the model were as follows:

	Share option grant date	
	3 March 2005	**20 June 2005**
Share price at the grant date	HK$2.325	HK$2.225
Exercise price	HK$2.325	HK$2.33
Expected volatility based on historical volatility of share	90.12%	70.11%
Expected annual dividend yield, based on historical dividend	Nil	Nil
Expected life of options	7.1 years	6.8 years
Hong Kong Exchange Fund Notes rate	3.8%	3.44%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

33. Notes to the Consolidated Cash Flow Statement

(a) Acquisition of subsidiaries

For the year ended 31 March 2007

On 26 May 2006, the Group acquired 100% equity interest in SNEI at a total cash consideration of HK$4,484,000.

On 1 August 2006, the Group acquired 70% equity interest in Harvest Group at a total consideration of HK$36.4 million, of which HK$18 million was satisfied in cash and HK$18.4 million was satisfied by the issue of convertible notes.

On 1 November 2006, the Group acquired 60% equity interest in Shanghai Epay at a cash consideration of approximately HK$1 million. Shanghai Epay is a domestic company incorporated in Mainland China and is principally engaged in E-commerce distribution of mobile pre-charge and other E-commerce prepaid products and services.

33. Notes to the Consolidated Cash Flow Statement *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 March 2007 ***(Continued)***

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at its date of acquisition, which have no significant difference from their carrying amounts are as follows:

	SNEI	**Harvest Group**	**Shanghai Epay**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:				
Property, plant and equipment	898	6,322	313	7,533
Intangible assets	–	1,050	–	1,050
Interests in associates	–	1,703	–	1,703
Inventories	–	7,907	669	8,576
Bank balances and cash	2,968	12,526	19	15,513
Trade receivables	–	10,183	94	10,277
Prepayments, deposits and other receivables	532	1,638	541	2,711
Other payables and accrued liabilities	(1,460)	(12,342)	(808)	(14,610)
Amount due to minority equity holders	–	(2,686)	–	(2,686)
Tax payable	–	(446)	–	(446)
Total net assets	2,938	25,855	828	29,621
Minority interests	–	(8,067)	(331)	(8,398)
Net assets acquired	2,938	17,788	497	21,223
Goodwill on acquisition	1,546	18,612	493	20,651
	4,484	36,400	990	41,874
Satisfied by:				
Cash consideration	–	18,000	990	18,990
Offsetting amount advanced to the third party	4,484	–	–	4,484
Issue of convertible bonds	–	18,400	–	18,400
Total consideration	4,484	36,400	990	41,874
Net cash inflow/(outflow) arising on acquisition:				
Cash consideration	–	(18,000)	(990)	(18,990)
Bank balances and cash acquired	2,968	12,526	19	15,513
	2,968	(5,474)	(971)	(3,477)

33. Notes to the Consolidated Cash Flow Statement *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The goodwill arising on the acquisition of these subsidiaries attributable to the anticipated profitability of the provision of the Group's services in the new markets and the anticipated future operating synergies from the combination.

The subsidiaries acquired during the year contributed HK$1,627,076,000 to the Group's turnover and profit of HK$5,061,000 to the Group's loss before tax for the period between the dates of acquisition and the balance sheet date.

Had the acquisition been completed on 1 April 2006, total Group turnover for year would have been HK$2,387,462,000 and loss for the year would have been HK$71,942,000. The proforma information is for illustrative purpose only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is intended to be a projection of future results.

(b) Disposal of subsidiaries

On 31 January 2008, the Group disposed its entire equity interest in Power Ability Limited and its subsidiary, Shanghai Haoyuan Biotechnology Company Limited to an independent third party at a cash consideration of USD2,000,000 (equivalent to HK$15,600,000).

33. Notes to the Consolidated Cash Flow Statement *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	4,348
Other intangible assets	851
Goodwill	3,232
Inventories	1,748
Trade receivables	1,205
Prepayments, deposits and other receivables	4,520
Bank and cash balances	895
Trade payables	(1,453)
Other payables	(4,033)
Net assets disposed	11,313
Release of foreign currency translation reserve	(343)
Minority interests	(6,462)
Gain on disposal of subsidiaries	10,333
Total consideration, net of direct cost of disposal – satisfied by cash	14,841
Net cash inflow arising on disposal:	
Cash consideration received	14,841
Cash and cash equivalents disposed	(895)
	13,946

33. Notes to the Consolidated Cash Flow Statement *(Continued)*

(c) Major non-cash transactions

During the year ended 31 March 2007, the Group had the following major non-cash transactions:

(i) On 1 August 2006, the Group acquired the additional 12.46% equity interest in CHC (Shanghai) Medical & Healthcare Services Limited ("SMHS") at a consideration of HK$802,000. The consideration was settled by offsetting the amount advanced to a minority equity holder.

(ii) During the year ended 31 March 2007, a borrower of the loan receivables agreed to take up the amount due to a director and accrued liabilities amounting HK$4,229,000 of the Group as partial repayment. Accordingly, these balances were set off against the loan receivables.

(iii) Included in other payables and accrued liabilities as at 31 March 2007 was an amount of HK$4,843,000 in respect of the issue cost of redeemable convertible cumulative preference shares not yet paid at the balance sheet date.

34. Capital Commitments

The Group's capital commitments at the balance sheet date are as follows:

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the financial statements in respect of:		
Capital contribution to subsidiaries *(note)*	–	1,010
Acquisition of non-current assets	–	5,051
	–	6,061

Note:

On 26 February 2007, the Group incorporated a wholly owned subsidiary, Beijing Joyzone Network Technologic Co., Ltd., in the PRC with required contribution of RMB1,000,000 (equivalent to HK$1,010,000). The capital has not been contributed by the Group at 31 March 2007.

35. Operating Lease Commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2008 *HK$'000*	2007 *HK$'000*
Within one year	**3,150**	5,087
In the second to fifth years inclusive	**2,029**	7,231
	5,179	12,318

At the balance sheet date, the total future minimum sublease payments expected to be received under non-cancellable subleases amounted to HK$40,000 (2007: HK$520,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for average terms of one to five years and rentals are fixed throughout the terms of respective leases.

36. Events After the Balance Sheet Date

On 28 February 2008, Success Gateway Investments Limited ("Success Gateway"), a wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Panjinfenyuan Technology Investment Limited ("Panjinfenyuan") whereby Success Gateway agreed to acquire the remaining 30% equity interest in Harvest from the minority equity holder, Panjinfenyuan, at a consideration of HK$41.5 million. On completion of the acquisition, Harvest becomes a wholly owned subsidiary of the Company. Details of the acquisition were set out in the Company's circular dated 29 April 2008. The transaction was approved by an ordinary resolution passed at the special general meeting held on 20 May 2008.

37. Subsidiaries

Particulars of the subsidiaries of the Company as at 31 March 2008 are as follows:

	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of interest in ownership held by			Principal activities
				Group	Company	Subsidiaries	
Artel Limited	Hong Kong	Ordinary	HK$10	60%	–	60%	Investment holding
Beijing Joyzone Network Technologic Co., Ltd. *(note a)*	PRC	Registered capital	RMB1,000,000	100%	–	100%	General trading by e-commerce
Beijing Universal Medical Assistance Co., Ltd. *(note b)*	PRC	Registered capital	RMB3,000,000	62.36%	–	70%	Provision of exclusive nationwide medical assistance services
Beijing Weichang Medical Clinic Co., Ltd. ("BWC") *(notes c and d)*	PRC	Registered capital	RMB2,000,000	100%	100%	–	Provision of medical services
Card Symbols Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
CHC Investment Holdings Limited	British Virgin Islands/Hong Kong	Ordinary	US$100	100%	100%	–	Investment holding
SMHS *(notes c and d)*	PRC	Registered capital	RMB6,820,000	68.46%	–	68.46%	Provision of healthcare services
China Clinical Trials Centre Limited	British Virgin Islands/Hong Kong	Ordinary	US$100	100%	–	100%	Clinical trials of drugs and devices
China Healthcare Holdings (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	100%	100%	–	Investment holding
China Healthcare Services Investment Limited	British Virgin Islands/Hong Kong	Ordinary	US$137,500	89.09%	–	89.09%	Investment holding
China Medicare Limited	Hong Kong	Ordinary	HK$1,000,000	89.09%	–	100%	Investment holding
Fullway Technology Limited	British Virgin Islands/Hong Kong	Ordinary	US$1,000	51%	–	51%	Investment holding

37. Subsidiaries *(Continued)*

	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of interest in ownership held by			Principal activities
				Group	Company	Subsidiaries	
Guangdong Harvest Network Technology Company Limited *(note c)*	PRC	Registered capital	RMB10,000,000	69.3%	–	99%	E-commerce distribution of mobile pre-charge
Junghua Enterprises Holdings Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
Shanghai Epay *(notes c and d)*	PRC	Registered capital	US$920,000	60%	–	60%	E-commerce distribution of mobile pre-charge
Shanghai Harvest *(note b)*	PRC	Registered capital	RMB40,000,000	70%	–	70%	E-commerce distribution of mobile pre-charge
Shanghai Kejin Network Technology Company Limited *(note c)*	PRC	Registered capital	RMB5,000,000	63%	–	90%	E-commerce distribution of mobile pre-charge
SNEI *(note a)*	PRC	Registered capital	US$420,000	100%	–	100%	Provision of maternal and fetal care services
Shanghai Qiangzhi Biotechnology Co., Ltd. ("SQB") *(notes c and d)*	PRC	Registered capital	US$3,000,000	100%	–	100%	Trading of clinical reagents and medical equipments
Shanghai Weichang Investment and Management Consulting Co., Ltd. *(note a)*	PRC	Registered capital	US$3,350,000	100%	100%	–	Investment management and consultancy services
Success Gateway	British Virgin Islands/Hong Kong	Ordinary	US$100	100%	–	100%	Investment holding
TechCap BioTech Holdings Limited	British Virgin Islands/Hong Kong	Ordinary	US$1,000	100%	100%	–	Investment holding
West Regent Property Limited	British Virgin Islands/Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
Wisdom Profit Investment Limited	Hong Kong	Ordinary	HK$10,000	100%	–	100%	Investment holding and money lending

Notes:

(a) Wholly foreign owned enterprises established in PRC.

(b) Sino-foreign equity joint ventures established in PRC.

(c) Domestic enterprises established in PRC.

(d) Through the relevant contractual arrangement, the Group's 100% equity interest in BWC and SQB; 68.46% equity interest in SMHS; and 60% equity interest in Shanghai Epay, are held by PRC residents as individual nominee for and on behalf of the Group.

Financial Summary

	2008	2007	2006	2005	2004
	Year ended 31 March				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**2,867,570**	1,632,961	6,834	7,446	222,797
Loss before tax	**(21,909)**	(73,372)	(101,863)	(41,371)	(52,236)
Income tax expense	**(2,091)**	(883)	–	–	–
Loss from continuing operations	**(24,000)**	(74,255)	(101,863)	(41,371)	(52,236)
Loss from discontinued operations	–	–	–	(12,390)	–
Loss for the year	**(24,000)**	(74,255)	(101,863)	(53,761)	(52,236)
Attributable to:					
Equity holders of the Company	**(25,152)**	(73,210)	(96,773)	(51,914)	(52,047)
Minority interest	**1,152**	(1,045)	(5,090)	(1,847)	(189)
	(24,000)	(74,255)	(101,863)	(53,761)	(52,236)

	2008	2007	2006	2005	2004
	As at 31 March				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**196,441**	198,807	106,650	147,977	158,328
Total liabilities	**(241,040)**	(225,137)	(69,564)	(30,360)	(35,713)
Total equity	**(44,599)**	(26,330)	37,086	117,617	122,615