

The directors of the Company (“Directors”) present their report and the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. The Group’s overall business strategy is to act as a facilitating platform for international healthcare expertise, products and capital to gain timely and cost effective access to the PRC’s burgeoning healthcare market. During the year, in order to focus all the Group’s resources on the PRC healthcare sector, the Group ceased its entire business operation of electronic parts and components since 1 November 2004. The details of discontinued operations are set out in note 6.

RESULTS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 26.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the each of the last five financial years is set out on pages 74.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company’s share capital and convertible bonds, are set out in notes 26 and 25 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and consolidated statement of changes in equity on page 29 respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company had no reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981.

DIRECTORS

The Directors for the year ended 31 March 2005 and up to date of this report were as follows:

Executive directors

Dr. Li Zhong Yuan

Dr. Ni Aimin

Mr. Lee Jong Dae (appointed on 8 July 2004)

Mr. Deng Ku Hon (appointed on 8 July 2004)

Non-executive directors

Mr. Robin Willi (appointed on 28 Sept 2004)

Mr. Martin Treffer (appointed on 13 Oct 2004)

Independent non-executive directors

Mr. Li Xiao Ru

Dr. Ma Yin Ming

Mr. Mu Xiang Ming (appointed on 28 Sept 2004)

In accordance with the Company's Bye-law 87, Mr. Lee Jong Dae, Mr. Deng Ku Hon, Mr. Robin Willi, Mr. Martin Treffer, Mr. Mu Xiang Ming and Dr. Ni Aimin will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Dr. Li Zhong Yuan has a service contract with the Company for an initial term of five years commencing from 27 November 2000 with the first two years under a fixed term and the remaining three years being terminable by not less than a six-months' notice in writing served by either party.

Dr. Ni Aimin has a service contract with the Company for a term of three years commencing from 5 November, 2003 being terminable by not less than a six-months' notice in writing served by either party.

Mr. Lee Jong Dae and Mr. Deng Ku Hon have a service contract with the Company for a term of two years commencing from 8 July 2004 being terminable by not less than a six-months' notice in writing served by either party.

Non-executive directors and independent non-executive directors are not appointed for a specific term.

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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS 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, existed 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 2005, 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 interests 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/Nature of interests	Interests in shares (other than pursuant to equity derivatives) (Note 2)	Interests in underlying shares (pursuant to equity derivatives) (Note 2)	Total interests in shares/underlying shares	Percentage of shares and underlying shares to issued shares at 31 March 2005
Dr. Li Zhong Yuan	The Company	Corporate (Note 1) Personal	12,689,000 4,635,000	– 3,625,000	12,689,000 8,260,000	5.85% 3.81%
Dr. Ni Aimin	The Company	Personal	750,000	2,400,000	3,150,000	1.45%
Mr. Lee Jong Dae	The Company	Personal	3,026,500	3,600,000	6,626,500	3.05%
Mr. Deng Ku Hon	The Company	Personal	432,000	2,400,000	2,832,000	1.30%
Mr. Robin Willi	The Company	Personal	912,000	900,000	1,812,000	0.83%
Mr. Martin Treffer	The Company	Corporate Personal	1,295,000 250,000	– 900,000	1,295,000 1,150,000	0.60% 0.53%
Mr. Li Xiao Ru	The Company	Personal	–	1,212,000	1,212,000	0.56%
Dr. Ma Yin Ming	The Company	Personal	–	150,000	150,000	0.07%
Mr. Mu Xiang Ming	The Company	Personal	–	210,000	210,000	0.10%

Notes:

- (1) These shares included 11,147,000 Shares of which are held through Pacific Annex Capital Limited and 1,542,000 Shares of which are held through Timenew Limited, both companies are wholly owned by Dr. Li Zhong Yuan.
- (2) The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the Directors/chief executives by the Company. Details of share options are set out under the heading of "SHARE OPTIONS" on page 67. All interests in shares and underlying shares of equity derivatives stated above represent long positions.

Save as disclosed above, as at 31 March 2005, none of the Directors and chief executives of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2005, so far as is known to Directors, those persons other than Directors and chief executive of the Company, who had the interests 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	Interests in shares (other than pursuant to equity derivatives)	Interests 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 2005
swissfirst (Lie) Opportunities Anlagegesellschaft AG	28,103,000	–	28,103,000	12.95%
swissfirst Structured Bonds AG (Note)	1,236,000	17,300,000	18,536,000	8.54%
Guo Kang Pharmaceutical & Medical Supplies Ltd	17,000,000	–	17,000,000	7.83%
Pacific Annex Capital Limited	11,147,000	–	11,147,000	5.14%

Note:

The underlying shares of equity derivatives held by swissfirst Structured Bonds AG represent the shares issuable upon conversion of HK\$17,300,000 3% unlisted convertible bonds of the Company.

Save as disclosed above, as at 31 March 2005, the Directors were not aware of any other person (other than the Directors and the chief executives of the Company) who had an interest or short positions in the shares or underlying share (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange 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.

SHARE OPTIONS

Particulars of the Company's share options schemes are set out in note 35 to the financial statements.

The following table discloses movements in the Company's share options granted during the year:

	Option type	Outstanding at 1.4.2004	Granted	Exercised	Lapsed	Reclassification upon appointment	Outstanding at 31.3.2005
Directors							
Li Zhong Yuan	A	25,000	-	-	-	-	25,000
	B	1,500,000	-	-	-	-	1,500,000
	C	-	2,100,000	-	-	-	2,100,000
Lee Jong Dae	B	-	-	-	-	1,500,000	1,500,000
	C	-	2,100,000	-	-	-	2,100,000
Ni Aimin	B	1,500,000	-	-	-	-	1,500,000
	C	-	900,000	-	-	-	900,000
Deng Ku Hon	B	-	-	-	-	1,500,000	1,500,000
	C	-	900,000	-	-	-	900,000
Robin Willi	C	-	900,000	-	-	-	900,000
Martin Treffer	C	-	900,000	-	-	-	900,000
Li Xiao Ru	B	1,002,000	-	-	-	-	1,002,000
	C	-	210,000	-	-	-	210,000
Ma Yin Ming	C	-	150,000	-	-	-	150,000
Mu Xiang Ming	C	-	210,000	-	-	-	210,000
Total Directors		4,027,000	8,370,000	-	-	3,000,000	15,397,000
Management and staff							
	B	1,969,000	-	-	-	(1,500,000)	469,000
	C	-	840,000	-	-	-	840,000
Total management and staff		1,969,000	840,000	-	-	(1,500,000)	1,309,000

	Option type	Outstanding at 1.4.2004	Granted	Exercised	Lapsed	Reclassification upon appointment	Outstanding at 31.3.2005
<i>Advisors and consultants</i>							
	A	1,075,000	-	-	(1,075,000)	-	-
	B	10,546,000	-	-	-	(1,500,000)	9,046,000
	C	-	8,622,000	-	-	-	8,622,000
<i>Total advisors and consultants</i>		<u>11,621,000</u>	<u>8,622,000</u>	<u>-</u>	<u>(1,075,000)</u>	<u>(1,500,000)</u>	<u>17,668,000</u>
Total		<u>17,617,000</u>	<u>17,832,000</u>	<u>-</u>	<u>(1,075,000)</u>	<u>-</u>	<u>34,374,000</u>

Option type	Date of grant	Exercisable period		Exercise price HK\$	Closing price
		From	To		immediately before the date of grant HK\$
A	31 August, 2001	31 August, 2001	15 May, 2011	8.60*	12.00*
B	2 February, 2004	2 February, 2004	7 April, 2012	3.40	3.80
C	3 March, 2005	3 March, 2005	7 April, 2012	2.325	2.325

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

The fair value of the options granted on 3 March 2005 measured on the same date amounted to HK\$33,144,854. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

	3 March 2005
Expected life of options	7.1 years
Expected volatility	90.12%
Expected annual dividend yield	Nil
Hong Kong Exchange Fund Notes rate	3.8%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

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 of the Company, 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.

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.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 37 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 76.7% and 90.3%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 50.0% and 81.7%, 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 2005.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

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 2005.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2005, the Group had an advance of US\$2.7 million (equivalent to HK\$21,026,000) made to Multi-line Digital Co. Ltd, an independent third party, which represents approximately 19.73% of the net asset value of the Group. Details of which are disclosed in note 19 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu audited the financial statements for the year ended 31 March 2003. Messrs. Deloitte Touche Tohmatsu resigned on 7 April 2004 and the Directors appointed Messrs. RSM Nelson Wheeler to fill the casual vacancy. Messrs. RSM Nelson Wheeler audited the financial statements for the year ended 31 March 2004 and 2005. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. RSM Nelson Wheeler.

On behalf of the Board

Dr. Li Zhong Yuan

Chairman

Hong Kong, 27 July 2005