

## Report of the Directors

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The directors submitting herewith their annual report and the audited financial statements for the year ended 31 March 2006.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 19 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. In previous year, in order to focus 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 7 to the financial statements.

### RESULTS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 25.

### PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### CONVERTIBLE BONDS

Details of the convertible bonds are set out in the note 28 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 30 to the financial statements and consolidated statement of changes in equity on page 29 respectively.

### DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company had no reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981.

## ● Report of the Directors

### DIRECTORS AND THEIR SERVICE CONTRACTS

The directors of the Company ("Directors") during the year were:

#### *EXECUTIVE DIRECTORS*

Dr. Li Zhong Yuan

Mr. Lee Jong Dae

Dr. Ni Aimin

Mr. Deng Ku Hon

#### *NON-EXECUTIVE DIRECTORS*

Mr. Robin Willi

Mr. Martin Treffer

#### *INDEPENDENT NON-EXECUTIVE DIRECTORS*

Mr. Li Xiao Ru

Dr. Ma Yin Ming

Mr. Mu Xiang Ming

The biographical details of the directors of the Company and senior management of the Group are set out on page 9 to 11.

In accordance with the Company's Bye-law 87, Dr. Li Zhong Yuan, Mr. Deng Ku Hon 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.

Dr. Li Zhong Yuan has a service contract with the Company for a term of three years commencing from 28 August 2004 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.

All 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 of compensation, other than normal statutory obligations.

## Report of the Directors

### 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 2006, 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 3)	Interests in underlying shares (pursuant to equity derivatives) (Note 3)	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares at 31 March 2006
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%
Dr. Ni Aimin	The Company	Personal	750,000	2,400,000	3,150,000	1.34%
Mr. Deng Ku Hon	The Company	Personal	432,000	2,400,000	2,832,000	1.21%
Mr. Robin Willi	The Company	Personal	912,000	900,000	1,812,000	0.77%
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. Li Xiao Ru	The Company	Personal	-	1,212,000	1,212,000	0.52%
Mr. Ma Yin Ming	The Company	Personal	-	150,000	150,000	0.06%
Mr. Mu Xiang Ming	The Company	Personal	-	210,000	210,000	0.09%

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*Notes:*

- (1) These shares included 11,147,000 Shares of which are held through Pacific Annex Capital Limited and 8,661,000 Shares of which are 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 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 OPTION SCHEME" on page 87. All interests in shares and underlying shares of equity derivatives stated above represent long positions.

Save as disclosed above, as at 31 March 2006, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests 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 notified 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.

## Report of the Directors

### SHARE OPTIONS

Particulars of the Company's share options schemes are set out in note 36 to the financial statements.

As at 31 March 2006, the Directors, employees and consultants of the Company had the following interests in options to subscribe for shares of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each of the company.

	Option type	Outstanding at 1.4.2005	Granted	Exercised	Lapsed	Outstanding at 31.3.2006
<b>Directors</b>						
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
Dr. Ni Aimin	B	1,500,000	-	-	-	1,500,000
	C	900,000	-	-	-	900,000
Mr. Deng Ku Hon	B	1,500,000	-	-	-	1,500,000
	C	900,000	-	-	-	900,000
Mr. Robin Willi	C	900,000	-	-	-	900,000
Mr. Martin Treffer	C	900,000	-	-	-	900,000
Mr. Li Xiao Ru	B	1,002,000	-	-	-	1,002,000
	C	210,000	-	-	-	210,000
Dr. Ma Yin Ming	C	150,000	-	-	-	150,000
Mr. Mu Xiang Ming	C	210,000	-	-	-	210,000
Total Directors		<u>15,397,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,397,000</u>
<b>Management and staffs</b>						
	B	469,000	-	-	(319,000)	150,000
	C	840,000	-	-	(450,000)	390,000
Total management and staffs		<u>1,309,000</u>	<u>-</u>	<u>-</u>	<u>(769,000)</u>	<u>540,000</u>
<b>Advisors and consultants</b>						
	B	9,046,000	-	-	-	9,046,000
	C	8,622,000	-	-	-	8,622,000
	D	-	99,000	-	-	99,000
Total advisors and consultants		<u>17,668,000</u>	<u>99,000</u>	<u>-</u>	<u>-</u>	<u>17,767,000</u>
Total		<u>34,374,000</u>	<u>99,000</u>	<u>-</u>	<u>(769,000)</u>	<u>33,704,000</u>

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Option type	Date of grant	Exercisable period		Exercise price HK\$	Closing price immediately before the date of grant HK\$
		From	To		
A	31 August 2001	31 August 2001	15 May 2011	8.600*	12.000*
B	2 February 2004	2 February 2004	7 April 2012	3.400	3.800
C	3 March 2005	3 March 2005	7 April 2012	2.325	2.325
D	20 June 2005	20 June 2005	7 April 2012	2.330	2.300

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

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 3(S) and 36 to the financial statements respectively.

### 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 2006, 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 2006
Orient Access International Inc.	17,300,000	-	17,300,000	7.38%
Guo Kang Pharmaceutical & Medical Supplies Ltd	17,000,000	-	17,000,000	7.25%
China Healthcare Services Ltd.	15,896,000	-	15,896,000	6.78%

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Save as disclosed above, as at 31 March 2006, 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.

### 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 94 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.

### 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 31.0% and 66.0%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 13.3% and 43.4%, 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 2006.

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### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2006, the Group had a loan of US\$2.7 million (equivalent to HK\$21,026,000) made to Multi-line Digital Co. Ltd, an independent third party. Full impairment loss for the loan has been made during the year. Details of which are disclosed in note 25 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

**Dr. Li Zhong Yuan**

*Chairman*

Hong Kong, 14 July 2006