(Stock Code: 673)

Annual Report **2007**

中國衛生控股有限公司

CHINA HEALTHCARE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan *(Chairman)*
Dr. Ni Aimin
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

COMPANY SECRETARY

Mr. Lo Chi Ko

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1001-2, 10/F
Man Yee Building
68 Des Voeux Road 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
7/F, Allied Kajima Building
138 Gloucester 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

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 continued to build and expand the base of healthcare channel resources, distribution channel resources and communications infrastructure resources, which the Group began to focus on a couple of years ago. But, compared to previous years, the Group is now in a growth and expansion phase, and has successfully generated substantial revenue and consumer flow during this year.

The Group has now developed distribution channels to deliver its consumer oriented products and services. In terms of B to B activities, the Group continued to make inroads and develop strong relationships with local channel partners, primarily leading PRC insurance companies, to provide value added healthcare focused services as "differentiators" to their policyholders. The Group is also expanding relationships with more channels partners, including foreign companies that provide travel and accident related services.

In terms of B to C activities, the Group's business has focused mainly in Shanghai during the past year, and the Group is poised to expand into other parts of China this year. Through its subsidiary, Shanghai Harvest Network Technology Co., Ltd. ("Harvest"), which is a profitable B to C e-commerce platform with approximately 5,000 points of sales terminals and outlets in Shanghai, the Group is well positioned to expand the distribution of its consumer oriented and health and wellness services and products. With the recent procurement of regulatory approvals of issuing debit card, the Group will launch "health currency" cards which are prepaid cash charge cards that could be used to procure and operate a variety of health and wellness related and consumer oriented products and services from a wide range of vendors. Holders of the Group's "health currency" cards will be able to procure Group approved consumer oriented and healthcare related products and services at anytime and with easy settlement procedures. The Group is also expanding the business and infrastructure of Harvest to Guangdong and to Beijing.

The Group, through its subsidiary, CHC (Shanghai) Medical and Health Services Co., Ltd., established a strategic operating partnership with Shanghai Medical Assistance Network ("SMAN"), which is owned in part by Shanghai Health Bureau. The Group will be servicing the medical/health/wellness assistance needs of SMAN members and beyond, and will also spearhead enhancement; sales and distribution of SMAN's existing products and services in conjunction with the Group's "health currency" cards.

In summary, the Group intends to be a leading platform in facilitation and distribution of consumer oriented and healthcare products and services in the PRC by leveraging its access to healthcare resources, communications infrastructure and distribution channels. It is clear that the Group has established strong relationships with certain PRC hospitals, working in close collaboration with the Chinese healthcare authorities, to create business opportunities utilizing the infrastructure provided by these healthcare institutions. It is also clear that the Group now possesses a connectivity platform of strong distribution channels, both B to B and B to C channels, which will result in strong business scale and growth for the Group's head-count based products and services in the coming years.

Chairman's Statement

I would like to express my appreciation to the staff of the Group for their hard work and efforts. 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 support of our shareholders and the trust of our 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

24 July 2007, Hong Kong

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2007, the Group reported a turnover of approximately HK$1,632.9 million, representing a increase of 238 times as compared to HK$6.8 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$73.2 million as compared to approximately HK$96.8 for the previous financial year. Basic loss per share for the year was HK$0.31 (2006: HK$0.42).

BUSINESS OPERATION

During the past year, the Group was principally engaged in provision of facilitation and distribution of consumer oriented and healthcare services in the PRC by leveraging its access to distribution channels, communications infrastructure and healthcare resources. The Group devoted most of its resources to create a platform to enable integrated consumer oriented marketing and healthcare services with better access, better communication and better connectivity, targeting primarily the burgeoning and increasingly affluent consumer segment in China. In August 2006, the Group completed its acquisition of 70% equity interest in Shanghai Harvest Network Technology Co., Ltd ("Harvest"), a profitable B-to-C e-commerce platform of distribution and micro-payment with an annual revenue exceeding RMB 2 billion and a large customer reach and flow via its approximately 5,000 points of sales terminals and outlets in Shanghai. The acquisition of Harvest shapes up the critical mass for the Group to scale up its own direct B-to-C access/settlement/connectivity platform to distribute its consumer oriented and health/wellness services and products efficiently, effectively and conveniently.

As such a connectivity platform focuses on solutions involving information flows, Harvest also enables and enhances the Group's access to communications infrastructure via its substantive working relationships with wireless fixed line operators in China. In order to enable quality service in health/wellness, the Group, working in an expansive public-private partnership with the Chinese healthcare authorities and leading public hospitals in China, and also via other strategic partnerships with leading international healthcare institutions, continues to build up and fine tune its access to and connectivity with healthcare resources for quality delivery. In order to enable and scale up its service distribution via B-to-B channels, the Group continues to work with Chinese insurance companies to provide value added services or "differentiators" to their category of insurance products. The Group's strategy is to build up its proprietary consumer base by providing its head-count based services and products, leveraging its access to distribution channels, communications infrastructure and healthcare resources for consumer reach with scale and efficiency and service delivery with quality in China. The developments during the past financial year have further strengthened the management's confidence in the Group's general business prospect in growth and scale.

Management Discussion and Analysis

Besides its synergy as an e-commerce platform in distributing the Group's health/wellness services to consumers, Harvest in its own right is a solidly proven and increasingly profitable B-to-C e-distribution and payment solution operation, which generated annual revenues in excess of RMB2 billion for the calendar year 2006, enjoying a dominant market share of approximately 25% in Shanghai's mobile prepayment market, and possessing approximately 5,000 proprietary e-commerce terminals which are located in convenience and other retail outlets throughout Shanghai.

Since its consolidation into the Group as a subsidiary, the Group started Harvest's expansion and growth along several dimensions. In addition to Harvest's proprietary e-commerce terminals, the Group has been successfully expanding its e-distribution, via its subsidiary, Shanghai EPay Network Technology Co., Ltd. ("Shanghai EPay"), by piggybacking on points of sales terminals of China UnionPay and Chinese commercial banks, e.g., PayEasy and ATM, to operate its e-commerce business in Shanghai. In addition to Harvest's dominant presence in Shanghai, the Group has taken substantive steps to replicate its Shanghai success in Guangdong. In addition to its ongoing e-distribution of various prepaid single product, Harvest has successfully procured highly valuable regulatory approvals in Shanghai to issue and operate debit cards with bundled packages of consumer products and services, which laid the foundation for Harvest to have higher margin e-commerce and integration with the Group's health and wellness business.

During the year, the Group, via its subsidiary, CHC (Shanghai) Medical and Health Services Co., Ltd. ("SMHS"), formed a strategic operating partnership with Shanghai Medical Assistance Network ("SMAN") which is partially owned by Shanghai Health Bureau at present. SMAN is an online and call center business that provides medical and healthcare information, health industry information and medical assistance. SMAN had approximately 6 million visitors and 300,000 registered users and accumulated a database of over 1 million active customers (in particular 10,000+ physicians in Shanghai) as of 2006. In addition to being a profit center offering a range of fee-for-service check up/preventive medicine services, SMHS serves as the Group's focal interface with Shanghai based medical resources, is building up and accessing a large and valuable customer base, and connects Harvest's integration with the Group's health and wellness business in Shanghai.

The Group has continued to develop working relationships with insurance companies as B-to-B channels by structuring and marketing medical/health/wellness assistance as value added services, i.e., differentiators, to their category of insurance products. Emergency Assistance Medical Services ("EAMS") serves as a catalyst for the Group's centralized interface with insurers and other channel partners for its expanding customer base. During the year, the Group, via its subsidiary Beijing Universal Medical Assistance Co., Ltd. ("BUMA"), executed contractual agreements with the likes of China Life, China PingAn, Bohai Property and PICC Health for providing EAMS.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company completed fund raising activities from the issue of redeemable convertible cumulative preference shares and convertible bonds in aggregate principal amount of US$15 million (approximately HK$117 million) and HK$18.4 million respectively. These fund raising exercises improved the financial position of the Group, and partially offset significant cash outlays related to the development of businesses. The Group's cash and cash equivalents amounted to approximately HK$74 million as at 31 March 2007.

The Group's total borrowings as at 31 March 2007 amounted to HK$148 million, all of which as represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (3.78) (2006: 1.56), based on an amount of shareholders' equity of HK$(39,059,000) (2006: HK$31,473,000).

CONTINGENT LIABILITIES

At 31 March 2007, 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 2007, the Group employed 149 (2006: 149) staff members. Total staff cost including Directors' emoluments was HK$17.2 million as compared to HK$16.3 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.

Management Discussion and Analysis

FUTURE PROSPECTS

In August 2006, the Group completed an investment of US$15 million (approximately HK$117 million) from Och-Ziff Capital Management Group ("OZ Capital"). OZ Capital is a global institutional asset management firm having in excess of US$25 billion of assets under management. The investment provided new funding to the Group for expansion of the existing business and new business development.

The Group's objective is to achieve a dominant position in China as a consumer oriented service provider, which is bundled with medical/health/wellness services by integrating with the Group's unique access to healthcare resources. The Group's business model is to develop a connectivity platform focusing on solutions involving information flows, i.e,. better access, better communication and better connectivity, which is highly scalable and non-capital intensive. The Group's strategy is to build up and expand its proprietary consumer base by providing its head-count based services and products, leveraging its access to healthcare resources, communications infrastructures and distribution channels for consumer reach and service.

While generating significant value to the Group in its own right, the Harvest platform is a key link to integrate with the Group's healthcare resources to provide pre-paid health/wellness information-focused medical assistance products and services in China. Using Harvest platform and Shanghai Clinic's provision of in-house support and outsourcing coordination, and also in conjunction with a partnership with SMAN, the Group is in process of launching the issuance and distribution of Health Currency in Shanghai, i.e., the Group's medical/healthcare/wellness products and services bundled with other value added packages of consumer products and services on pre-paid basis. In addition to serving as an e-distribution and micro-payment solution platform for Health Currency in Shanghai, Harvest is at critical mass with regard to reaching the value inflection point in its own right, i.e., as a profitable e-commerce platform of multiple value drivers in China. Harvest is well positioned to become an independent spin-off that will yield significant value realization for the Group.

The Group has established a unique platform and model for business scale and growth, while seeking the right partners and opportunities to help access the substantial immediate opportunities. Hence, in addition to organic growth, the Group is also actively looking for partnerships and merger and acquisition opportunities of businesses that are in alignment and in synergy with its objectives, business model and strategy.

While the size of China's economy is a multiple of that of Italy's, its consumer market is only comparable to that of Italy's; and while China's GDP grows at more than 9% per annum and more than 25% of its population will be considered "aged" (i.e., at or more than 60 years old) by 2030, its GDP spending on healthcare is only less than 5% while that of US is more than 16%. As such with continuing support from the Group's investors and business partners and diligence from the Group's staffs, the Group is well-positioned for the coming fiscal year. 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, is the Chairman and Executive Director of the Company and is responsible for the overall strategic planning of the Group. Dr. Li received his PhD. in Mathematics from the University of Michigan at Ann Arbor, the USA and subsequently worked as an Assistant Professor of Mathematics at the Massachusetts Institute of Technology, the USA ("MIT"), where he was consecutively awarded research grants from the National Science Foundation. After MIT, he held senior positions with a number of major international investment banks, including Bankers Trust Company, Salomon Brothers and IBJ Asia Limited and has extensive experience in capital raising and risk management. In late 1996, he was in charge of building up capital markets and derivative businesses in multi-asset classes in Northern Asia and was a director of Rabobank International before setting up a financial and technology investment firm.

Mr. Lee Jong Dae, aged 48, is the Chief Executive Officer and Executive Director of the Company. He was appointed as the Executive Director of the Company on 8 July 2004. Mr. Lee is an experienced international lawyer and investment banker. He received his undergraduate degree in economics from Haverford College, Pennsylvania, and later obtained his Doctor of Jurisprudence from Georgetown University, Washington, D.C. 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.

Dr. Ni Aimin, aged 47, is the Executive Director of the Company. Dr. Ni has extensive knowledge and experience in the medical industry and medical information industry and is responsible for the company's overall administration and business development in the healthcare sector. He received his Master in Medicine degree from Shanghai Medical University in the PRC and worked as a surgeon both in the PRC and the USA for 13 years. Dr. Ni worked as an information system manager with a US-based plastic/cosmetic surgery clinic for 6 years before joining the Company in 2002.

Mr. Zhou Bao Yi, aged 45, is the Executive Director of the Company. Mr. Zhou received his Master degree in economics from People's University, PRC and is a certified Senior Accountant in the PRC. Mr. Zhou was the Chief Accountant, president and chairman in Northeastern Electric Transmission and Transformation Equipment Group Ltd.

Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer, aged 42, is a Non-Executive Director of the Company. He has extensive experience in investment and financial areas. Mr. Treffer holds a Master 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 51, is an Independent Non-Executive Director of the Company. He is an experienced international lawyer. 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. Mr. Mu was a member of Shanghai Municipal Government Foreign Economic Trade Committee and a practicing lawyer in a US solicitors firm for four years. He is currently a senior partner of Shanghai Ming & Yuan Law Firm, a law firm with principal office in Shanghai and affiliated offices in USA and Japan.

Dr. Yan Shi Yun, aged 67, is the Independent Non-executive Director of the Company. Dr. Yan was the former president of Shanghai University of TCM（上海中醫藥大學）. Dr. Yan is a professor at Shanghai University of TCM for over 20 years. He is the president of Shanghai Academy of Chinese Medicine Sciences（上海市醫藥研究院）.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 31, 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 8 years of experience in finance, consulting, accounting and auditing. He is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants.

COMPANY SECRETARY

Mr. Lo Chi Ko, aged 37, 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 2007.

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 2007 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 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 28 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 28 respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2007, 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 and up to the date of this report:–

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan	
Mr. Lee Jong Dae	
Dr. Ni Aimin	
Mr. Zhou Bao Yi	(Appointed on 1 December 2006 and re-designated from independent non-executive Director on 6 July 2007)
Mr. Deng Ku Hon	(Resigned on 6 July 2007)

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer	
Mr. Robin Willi	(Resigned on 15 August 2006)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiao Ru	(Resigned on 29 August 2006)
Dr. Ma Yin Ming	(Resigned on 30 November 2006)
Dr. Yan Shi Yun	(Appointed on 29 August 2006)
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 10.

In accordance with the Company's Bye-law 87, Mr. Lee Jong Dae, Mr. Mu Xiang Ming, Dr. Yan Shi Yun and Mr. Zhou Bao Yi 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. Mu Xiang Ming, Dr. Yan Shi Yun and Mr. Lee Jong Dae 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. Zhou Bao Yi has a service contract with the Company for a term of two years commencing from 6 July 2007 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 2007, 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 2007
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%

Report of the Directors

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 2007, 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

There is no change in any terms of the share option schemes of the Company during the year ended 31 March 2007.

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

Directors	Option type	Outstanding at 1 April 2006	Reallocation	Granted	Exercised	Lapsed	Outstanding at 31 March 2007
Director							
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. Martin Treffer	C	900,000	–	–	–	–	900,000
Mr. Mu Xiang Ming	C	210,000	–	–	–	–	210,000
Mr. Robin Willi	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)	–	–	–	–
Total Director		15,397,000	(2,262,000)	–	–	–	13,135,000
Management and staffs	B	150,000	–	–	–	(90,000)	60,000
	C	390,000	–	–	–	(120,000)	270,000
Total Management and staffs		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 advisors and consultants		17,767,000	2,262,000	–	–	–	20,029,000
Total		33,704,000	–	–	–	(210,000)	33,494,000

Mr. Robin Willi, Mr. Li Xiao Ru and Mr. Ma Yin Ming resigned as directors of the Company on 15 August 2006, 29 August 2006 and 30 November 2006 respectively, but they remain as advisors within the Group. Therefore, according to the Share Option Scheme, Mr. Robin Willi, Mr. Li Xiao Ru and Mr. Ma Yin Ming are eligible to entitle as holders of the options granted. Accordingly, the outstanding options of the resigned directors were reallocated under advisors and consultants.

Report of the Directors

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 February 2004	2/2/2004-7/4/2012	3.40	3.800
C	3 March 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.*

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 2007, 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 2007
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%

Report of the Directors

Save as disclosed above, as at 31 March 2007, 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 92 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 75.6% and 99.9%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 16.5% and 33.8%, 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 2007.

Report of the Directors

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2007, 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 was made in last year. 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

Dr. Li Zhong Yuan
Chairman

Hong Kong, 24 July 2007

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 2007 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 Chief Executive Officer.

The Board currently consists of four executive directors, two non-executive directors 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
Dr. Ni Aimin	4/4
Mr. Deng Ku Han	4/4
Non-executive director	
Mr. Martin Treffer	2/4
Mr. Robin Willi	0/4
Independent non-executive directors	
Dr. Yan Shi Yun	2/4
Mr. Mu Xiang Ming	1/4
Mr. Zhou Bao Yi *(Note)*	2/4

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

Corporate Governance Report

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 CHIEF EXECUTIVE OFFICER

Dr. Li Zhong Yuan is the Chairman of the Board and Mr. Lee Jong Dae is the Chief Executive Officer ("CEO") of the Company. The roles of the Chairman and the CEO are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The CEO is 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.

REMUNERATION COMMITTEE

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

Corporate Governance Report

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 2007 and preparation of accountants's report in respect of a very substantial acquisition was approximate HK$1.4 million.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

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	1/2
Mr. Zhou Bao Yi *(Note)*	1/2

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 2007 and the unaudited interim financial statements for the six months ended 30 September 2006, 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 2007.

Corporate Governance Report

The Chairman of the Audit Committee, Dr. Mu Xiang Ming, 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 2006 and for the year ended 31 March 2007, 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
羅 申 美 會 計 師 行
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 25 to 91, which comprise the consolidated balance sheet as at 31 March 2007, 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.

Independent Auditor's Report

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 2007 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

24 July 2007

Consolidated Income Statement

(For the year ended 31 March 2007)

	Note	**2007**	2006
		HK$'000	*HK$'000*
Turnover	*7*	**1,632,961**	6,834
Cost of sales and service		**(1,620,215)**	(5,287)
Gross profit		**12,746**	1,547
Other income	*8*	**6,721**	1,337
Distribution costs		**(5,091)**	(4,743)
Administrative expenses		**(41,673)**	(37,428)
Impairment losses for doubtful debts		**(2,307)**	(21,217)
Impairment losses of available-for-sale financial assets		**–**	(22,588)
Impairment losses of goodwill		**(14,462)**	(15,500)
Other operating expenses		**(20,539)**	(504)
Loss from operations		**(64,605)**	(99,096)
Finance costs	*9*	**(9,011)**	(2,767)
Gain on disposal of an associate		**236**	–
Share of profits of an associate		**8**	–
Loss before tax		**(73,372)**	(101,863)
Income tax expense	*10*	**(883)**	–
Loss for the year	*11*	**(74,255)**	(101,863)
Attributable to:			
Equity holders of the Company		**(73,210)**	(96,773)
Minority interests		**(1,045)**	(5,090)
		(74,255)	(101,863)
Loss per share (HK$)	*14*		
– Basic		**(0.31)**	(0.42)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

(At 31 March 2007)

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	**15,894**	11,968
Goodwill	16	**30,877**	23,886
Other intangible assets	17	**1,917**	1,111
Prepayment for acquisition of non-current assets		**5,253**	–
Interest in an associate	18	**1**	1
		53,942	36,966
Current assets			
Inventories	19	**23,255**	2,646
Trade receivables	20	**18,638**	3,289
Prepayments, deposits and other receivables		**8,171**	8,049
Loan receivables	21	**20,434**	7,806
Financial assets at fair value through profit or loss	22	**345**	–
Bank balances and cash	23	**74,022**	47,894
		144,865	69,684
Current liabilities			
Trade payables	24	**552**	1,409
Other payables and accrued liabilities		**20,647**	12,221
Amounts due to directors	25	**5,311**	6,942
Derivative component of convertible bonds	26	**7,947**	–
Derivative component of redeemable convertible cumulative preference shares	27	**42,569**	–
Current tax liabilities		**330**	–
		77,356	20,572
Net current assets		**67,509**	49,112
Total assets less current liabilities		**121,451**	86,078
Non-current liabilities			
Convertible bonds	26	**66,643**	48,992
Redeemable convertible cumulative preference share	27	**81,138**	–
		147,781	48,992
NET (LIABILITIES)/ASSETS		**(26,330)**	37,086

Consolidated Balance Sheet

(At 31 March 2007)

	Note	**2007** **HK$'000**	2006 HK$'000
Capital and reserves			
Share capital	*28*	**23,437**	23,437
Reserves	*30*	**(62,496)**	8,036
Equity attributable to equity holders of the Company		**(39,059)**	31,473
Minority interests		**12,729**	5,613
TOTAL EQUITY		**(26,330)**	37,086

The financial statements on pages 25 to 91 were approved and authorised for issue by the Board of Directors on 24 July 2007 and signed on its behalf by:

Dr. Li Zhong Yuan	**Mr. Lee Jong Dae**
Director	*Director*

Consolidated Statement of Changes in Equity

(For the year ended 31 March 2007)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus *(Note 30 (B)(i))*	Statutory reserves *(Note 30 (B)(ii))*	Convertible bonds reserve	Foreign currency translation reserve	Share option reserve *(Note 30 (B)(iii))*	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 2005	21,707	194,543	57,124	–	2,195	16	–	(168,723)	106,862	8,671	115,533
Exchange differences arising on translation of financial statements of overseas operations and net income recognised directly in equity	–	–	–	–	–	344	–	–	344	–	344
Loss for the year	–	–	–	–	–	–	–	(96,773)	(96,773)	(5,090)	(101,863)
Total recognised income and expense for the year	–	–	–	–	–	344	–	(96,773)	(96,429)	(5,090)	(101,519)
Recognition of equity component of convertible bonds	–	–	–	–	3,592	–	–	–	3,592	–	3,592
Issue of shares on conversion of convertible bonds	1,730	17,765	–	–	(2,195)	–	–	–	17,300	–	17,300
Recognition of share-based payments	–	–	–	–	–	–	148	–	148	–	148
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	2,032	2,032
	1,730	17,765	–	–	1,397	–	148	–	21,040	2,032	23,072
At 31 March 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 reserve	–	–	–	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)

Consolidated Cash Flow Statement

(For the year ended 31 March 2007)

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(73,372)**	(101,863)
Adjustments for:		
Finance cost	**9,011**	2,767
Share of profits of an associate	**(8)**	–
Interest income	**(3,678)**	(1,029)
Reversal of impairment losses for doubtful debts	**(531)**	(44)
Amortisation of other intangible assets	**330**	191
Depreciation	**4,851**	2,625
Impairment losses for doubtful debts	**2,307**	21,217
Impairment losses of goodwill	**14,462**	15,500
Impairment losses for obsolete inventories	**700**	377
Impairment losses of available-for-sale financial assets	**–**	22,588
Fair value gains (realised and unrealised) on financial assets at fair value through profit or loss	**(595)**	–
Fair value loss on derivative component of convertible bonds	**5,720**	–
Fair value loss on derivative component of redeemable convertible cumulative preference shares	**10,311**	–
Issue cost of derivative component of redeemable convertible cumulative preference shares	**3,640**	–
Gain on disposal of an associate	**(236)**	–
Loss on disposal of property, plant and equipment	**869**	3
Share-based payment expenses	**–**	148
Operating cash flows before movements in working capital	**(26,219)**	(37,520)
(Increase)/decrease in inventories	**(12,755)**	402
(Increase)/decrease in trade receivables	**(5,583)**	487
Increase in prepayment, deposits and other receivables	**(2,322)**	(4,243)
(Decrease)/increase in trade payables	**(856)**	421
(Decrease)/increase in other payables and accrued liabilities	**(11,142)**	2,574
(Decrease)/increase in amounts due to directors	**(4)**	1,228
Cash used in operations	**(58,881)**	(36,651)
Income tax paid	**(1,036)**	–
Interest paid	**(1,545)**	(1,333)
Net cash outflow from operating activities	**(61,462)**	(37,984)

Consolidated Cash Flow Statement

(For the year ended 31 March 2007)

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	32(A)	(3,477)	–
Interest received		2,840	722
Prepayment for acquisition of non-current assets		(5,253)	–
Purchase of property, plant and equipment		(1,622)	(5,861)
Proceeds from disposal of property, plant and equipment		259	100
Proceeds from disposal of an associate		1,980	–
Purchase of financial asset 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		(19,559)	(13,893)
Repayment of loan receivables		1,900	6,087
Net cash used in investing activities		(22,682)	(12,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds		–	51,256
Proceeds from issue of redeemable convertible cumulative preference shares		117,000	–
Issue cost of redeemable convertible cumulative preference shares paid		(8,358)	–
Dividends paid to minority equity holders		(597)	–
Net cash generated from financing activities		108,045	51,256
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,901	427
Effect of foreign currency exchange rate changes		2,227	149
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		47,894	47,318
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH		74,022	47,894

Notes to the Financial Statements

(For the year ended 31 March 2007)

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 38 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 accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 adoption of these new and revised HKFRSs will have no material impact on the financial statements of the Group.

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.

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

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) BUSINESS COMBINATION AND GOODWILL (Continued)

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.

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) ASSOCIATES (Continued)

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.

(D) 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.

(i) Held-to-maturity investments

Debt securities with fixed or determinable payments and fixed maturity and that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the investments' 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 investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) INVESTMENTS (Continued)

(ii) 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.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are investments not classified as held-to-maturity investments, loans and receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(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%

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(E) PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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) 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.

(G) 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 ten years.

(H) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) TRADE AND OTHER RECEIVABLES

Trade and other receivables 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.

(J) 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.

(K) 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.

(L) 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(M) 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.

(N) 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.

Issue 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.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instruments. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

(ii) Convertible bonds issued with derivative components

Convertible bonds which entitle the holder to convert into a variable equity instruments, other than into a fixed number of equity instrument at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. On issuance of convertible bonds, 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 on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Issue 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 when the instruments are first recognised.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Redeemable convertible cumulative preference shares which entitle the holder to convert into a variable equity instruments, other than into a fixed number of equity instruments at fixed conversion price are regarded as combined instruments consist of a liability and a derivative component. On issuance of redeemable convertible cumulative preference shares, 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 on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Issue 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 are first recognised.

(P) EQUITY INSTRUMENTS

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

(Q) 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.

(R) 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) 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.

(T) 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.

(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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(U) SHARE-BASED PAYMENT

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.

(V) 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 relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

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.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately as an expense. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(W) 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, and interests in joint ventures, 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.

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(X) 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Y) 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.

(Z) IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements

(For the year ended 31 March 2007)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Z) IMPAIRMENT OF ASSETS (Continued)

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.

(AA) 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.

(BB) 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(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.

(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.

Impairment of goodwill of HK$14,462,000 was charged to the consolidated income statements, further details of which are set out in notes 16 to the financial statements.

(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 date of issued and the balance sheet date 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 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, price risk, credit risk and liquidity 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) 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. They expose the Group to fair value interest rate risk.

(B) 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, United States dollars and Renminbi. 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.

(C) PRICE RISK

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

(D) CREDIT RISK

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. Bank deposits are placed directly with reputable financial institutions. The Group has no significant concentrations of credit risk.

(E) 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.

(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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

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.

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

Consolidated income statement

For the year ended 31 March 2007

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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)

Notes to the Financial Statements

(For the year ended 31 March 2007)

6. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

For the year ended 31 March 2006

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	3,683	3,151	–	–	6,834
Segment results	(9,220)	(18,623)	–	(48,806)	(76,649)
Other income					1,337
Unallocated corporate expenses					(23,784)
Loss from operations					(99,096)
Finance costs					(2,767)
Loss before tax					(101,863)

Notes to the Financial Statements

(For the year ended 31 March 2007)

6. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

Consolidated balance sheet

For the year ended 31 March 2007

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

Notes to the Financial Statements

(For the year ended 31 March 2007)

6. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

For the year ended 31 March 2006

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	19,324	23,507	–	1	42,832
Unallocated corporate assets					63,818
Consolidated total assets					106,650
LIABILITIES					
Segment liabilities	1,645	2,895	–	–	4,540
Unallocated corporate liabilities					65,024
Consolidated total liabilities					69,564

Notes to the Financial Statements

(For the year ended 31 March 2007)

6. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

Other information

For the year ended 31 March 2007

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Unallocated corporate assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 of 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

For the year ended 31 March 2006

	Production and trading of biotechnology products	Procurement of healthcare services	E-commerce distribution of mobile pre-charge	Investment holding	Unallocated corporate assets	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions:						
– Property, plant and equipment	215	6,268	–	–	1,156	7,639
– Goodwill	–	1,213	–	–	–	1,213
Impairment losses of inventories	377	–	–	–	–	377
Impairment losses for doubtful debts	40	–	–	21,177	–	21,217
Impairment losses of available-for-sale financial assets	–	–	–	22,588	–	22,588
Impairment losses of goodwill	5,600	5,400	–	4,500	–	15,500
Amortisation of other intangible assets	191	–	–	–	–	191
Depreciation	497	1,753	–	–	375	2,625
Share-based payment expense	–	–	–	–	148	148

Notes to the Financial Statements

(For the year ended 31 March 2007)

7. TURNOVER

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

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Sales of biotechnology products	**2,852**	3,683
Revenue from E-commerce distribution of mobile pre-charge	**1,627,076**	–
Services income	**3,033**	3,151
	1,632,961	6,834

8. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Interest income on bank deposits	**2,805**	687
Other interest income	**873**	342
Reversal of impairment losses for doubtful debts	**531**	44
Government subsidies	**665**	–
Fair value gains (realised and unrealised) on financial assets at fair value through profit or loss	**595**	–
Sundry income	**1,252**	264
	6,721	1,337

Notes to the Financial Statements

(For the year ended 31 March 2007)

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on convertible bonds wholly repayable within five years	**3,023**	2,767
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	**5,957**	–
	9,011	2,767

10. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current tax – PRC	**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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

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:

	2007	2006
	HK$'000	*HK$'000*
Loss before tax	**(73,372)**	(101,863)
Tax at the Hong Kong Profits Tax rate of 17.5%	**(12,840)**	(17,826)
Tax effect of income that is not taxable in determining taxable profit	**(2,259)**	(193)
Tax effect of expenses that are not deductible in determining taxable profit	**16,350**	15,193
Tax effect of losses not recognised due to uncertainty on future profit streams	**139**	4,606
Tax effect of difference on depreciation between tax and accounting purposes	**39**	129
Effect of different tax rates operating in other jurisdiction	**(546)**	(1,909)
Income tax expense	**883**	–

Notes to the Financial Statements

(For the year ended 31 March 2007)

11. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2007	2006
	HK$'000	HK$'000
Amortisation of other intangible assets included in administrative expenses	330	191
Auditors' remuneration		
Current year	1,358	831
Underprovision in prior years	–	35
	1,358	866
Cost of inventories recognised as expenses *(Note)*	1,617,088	3,218
Depreciation	4,851	2,625
Net exchange losses	375	233
Fair value loss on derivative component of convertible bonds	5,720	–
Fair value loss on derivative component of redeemable convertible cumulative preference shares	10,311	–
Impairment losses for doubtful debts	2,307	21,217
Impairment losses for obsolete inventories	700	377
Impairment losses of available-for-sale financial assets	–	22,588
Loss on disposal of property, plant and equipment	869	3
Operating leases payments in respect of land and buildings	4,977	3,748
Research and development expenditure	278	384
Staff costs (including directors' remuneration)		
– Salaries and allowances	16,047	16,202
– Retirement benefit scheme contributions	1,122	117
	17,169	16,319
Share-based payment expense	–	148

Note: Other than the purchase cost of finished goods, raw material and consumables and other overhead, cost of inventories recognised included staff costs, depreciation, operating lease payments with total of HK$813,000 (2006: HK$894,000).

Notes to the Financial Statements

(For the year ended 31 March 2007)

12. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

DIRECTORS' REMUNERATION

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

Name	Directors' fee *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'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 Will (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

Notes to the Financial Statements

(For the year ended 31 March 2007)

12. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES *(Continued)*

DIRECTORS' REMUNERATION (Continued)

The remuneration of every director for the year ended 31 March 2006 is set out below:

Name	Directors' fee	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Li Zhong Yuan	–	2,787	12	2,799
Dr. Ni Aimin	–	1,800	12	1,812
Mr. Lee Jong Dae	–	2,040	12	2,052
Mr. Deng Ku Hon	–	1,200	12	1,212
Non-executive directors				
Mr. Robin Will (Resigned on 15 August 2006)	–	–	–	–
Mr. Martin Treffer	–	–	–	–
Independent non-executive directors				
Mr. Li Xiao Ru (Resigned on 29 August 2006)	–	–	–	–
Dr. Ma Yin Ming (Resigned on 30 November 2006)	–	–	–	–
Mr. Mu Xiang Ming	–	–	–	–
Dr. Yan Shi Yun (Appointed on 29 August 2006)	–	–	–	–
Mr. Zhou Bao Yi (Appointed on 1 December 2006)	–	–	–	–
Total	–	7,827	48	7,875

Details of share options granted to the directors are set out in note 31 to the financial statements. None of the directors has waived any emoluments during the both years.

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

Notes to the Financial Statements

(For the year ended 31 March 2007)

12. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES *(Continued)*

HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included five (2006: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one individual for the year ended 31 March 2006 are set out below:

	HK$'000
Salaries and other benefits	410
Retirement benefit scheme contributions	12
	422

During the years ended 31 March 2006 and 2007, 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 (2006: 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:

	2007	2006
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share (loss for the year attributable to equity holders of the Company)	**(73,210)**	(96,773)

	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	**234,367,577**	230,244,015

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2005	–	4,005	1,100	2,316	1,590	9,011
Exchange realignment	–	131	52	62	9	254
Additions	–	650	54	3,443	1,714	5,861
Disposals/write off	–	(98)	–	(15)	–	(113)
Reclassification	–	(8)	–	8	–	–
Acquired on acquisition of a subsidiary	–	1,459	–	319	–	1,778
At 31 March 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 subsidiaries	890	253	4,646	1,330	414	7,533
At 31 March 2007	–	6,780	6,120	9,309	3,581	25,790
Accumulated depreciation						
At 1 April 2005	–	106	137	398	1,480	2,121
Exchange realignment	–	24	32	22	9	87
Provided for the year	–	1,112	343	902	268	2,625
Elimination on disposals/write off	–	–	–	(10)	–	(10)
At 31 March 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
Carrying amounts						
At 31 March 2007	–	4,183	4,154	6,141	1,416	15,894
At 31 March 2006	–	4,897	694	4,821	1,556	11,968

Notes to the Financial Statements

(For the year ended 31 March 2007)

16. GOODWILL

	HK$'000
Cost	
At 1 April 2005	36,547
Arising on acquisition of a subsidiary	1,213
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(2,262)
At 31 March 2006	35,498
Arising on acquisition of subsidiaries and additional equity interests in a subsidiary	21,453
At 31 March 2007	56,951
Amortisation	
At 1 April 2005	2,262
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(2,262)
At 31 March 2006 and 31 March 2007	–
Impairment	
At 1 April 2005	612
Impairment loss recognised in the current year	11,000
At 31 March 2006	11,612
Impairment loss recognised in the current year	14,462
At 31 March 2007	26,074
Carrying amounts	
At 31 March 2007	30,877
At 31 March 2006	23,886

Notes to the Financial Statements

(For the year ended 31 March 2007)

16. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generation 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:

	2007	2006
	HK$'000	*HK$'000*
Production and trading of biotechnology products:		
Shanghai Haoyuan Biotechnology Co., Ltd. ("SHB")	**11,533**	17,133
Procurement of healthcare services:		
Beijing Universal Medical Assistance Co., Ltd. ("BUMA")	**11,140**	16,540
CHC (Shanghai) Medical and Healthcare Services Limited ("SMHS")	**2,015**	1,213
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**	–
Shanghai Epay Information Technology Company Limited ("Shanghai Epay")	**493**	–
	45,339	34,886

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 three years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

Notes to the Financial Statements

(For the year ended 31 March 2007)

16. GOODWILL *(Continued)*

The rate used to discount the forecast cash flows from the Group's production and trading of biotechnology products activities is 12.6%, and from the Group's procurement of healthcare services activities is 11.5%.

At 31 March 2007, before impairment testing, goodwill of approximately HK$11.5 million, HK$11.1 million, HK$2 million and HK$1.5 million were allocated to SHB, BUMA, SMHS and SNEI respectively. As a result of changes in market condition, the Group has revised its cash flow forecasts for these CGUs. The goodwill allocated to the above CGUs have therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill during the year as follows:

	HK$'000
Production and trading of biotechnology products:	
SHB	8,301
Procurement of healthcare services	
BUMA	2,600
SMHS	2,015
SNEI	1,546
Impairment loss of goodwill recognised in the current year	14,462

Notes to the Financial Statements

(For the year ended 31 March 2007)

17. OTHER INTANGIBLE ASSETS

	Patent	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 April 2005	1,415	–	1,415
Exchange realignment	34	–	34
At 31 March 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
Amortisation			
At 1 April 2005	141	–	141
Exchange realignment	6	–	6
Charge for the year	191	–	191
At 31 March 2006	338	–	338
Exchange realignment	20	3	23
Charge for the year	198	132	330
At 31 March 2007	556	135	691
Carrying amounts			
At 31 March 2007	959	958	1,917
At 31 March 2006	1,111	–	1,111

The Group's patents protect the design and specification of the Group's biotechnology products. The respective average remaining amortisation periods of the patents is 4.75 years (2006: 5.75 years) and the computer software are 5 years (2006: N/A).

Notes to the Financial Statements

(For the year ended 31 March 2007)

18. INTEREST IN AN ASSOCIATE

	2007	2006
	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 2007 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

Notes to the Financial Statements

(For the year ended 31 March 2007)

18. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2007	2006
	HK$'000	HK$'000
Total assets	**1**	1
Total liabilities	**(165)**	(160)
Net liabilities	**(164)**	(159)
Revenue	**–**	–
Loss for the year	**(5)**	(156)

The Group has not recognised its share of loss for the year amounting to HK$2,000 (2006: HK$62,000) for Moment Touch Management Limited. The accumulated losses not recognised were HK$66,000 (2006: HK$64,000).

19. INVENTORIES

	2007	2006
	HK$'000	HK$'000
Raw materials	**847**	1,205
Finished goods	**22,408**	1,441
	23,255	2,646

Notes to the Financial Statements

(For the year ended 31 March 2007)

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. The ageing analysis of the trade receivables, based on invoice date, and net of allowance, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**17,395**	280
31 to 60 days	**79**	273
61 to 90 days	**151**	156
91 to 120 days	**222**	165
Over 120 days	**791**	2,415
Total	**18,638**	3,289

As at 31 March 2007, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,742,000 (2006: HK$818,000).

21. LOAN RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Secured term loans	**37,618**	27,828
Unsecured term loans	**3,842**	1,004
	41,460	28,832
Less: Impairment losses	**(21,026)**	(21,026)
	20,434	7,806

The interest rates received were as follows:

	2007	2006
Secured term loans	**5.5% – 5.75%**	2% – 8%
Unsecured term loans	**5% – 8%**	7.75% – 8%

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

Notes to the Financial Statements

(For the year ended 31 March 2007)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007	2006
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**192**	–
Listed outside Hong Kong	**153**	–
Market value of listed securities	**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 2007, the bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to HK$22,483,000 (2006: HK$5,825,000). 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

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

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**444**	42
31 to 60 days	**5**	–
61 to 90 days	**12**	4
91 to 120 days	**23**	494
Over 120 days	**68**	869
Total	**552**	1,409

Notes to the Financial Statements

(For the year ended 31 March 2007)

25. AMOUNTS DUE TO DIRECTORS

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

26. CONVERTIBLE BONDS

	2007	2006
	HK$'000	*HK$'000*
Liability component of convertible bonds		
Convertible bonds issued with equity component *(Note a)*	**49,904**	48,992
Convertible bonds issued with derivative component *(Note b)*	**16,739**	–
	66,643	48,992
Derivative component of convertible bonds *(Note b)*	**7,947**	–

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

	2007	2006
	HK$'000	*HK$'000*
In the second to fifth years inclusive	**66,643**	48,992

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 carrying 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

26. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

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

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

	2007	2006
	HK$'000	*HK$'000*
Nominal value	**51,256**	51,256
Equity component	**(3,592)**	(3,592)
Liability component at date of issue	**47,664**	47,664
Interest charged	**4,557**	2,100
Interest paid	**(2,317)**	(772)
Liability component at 31 March	**49,904**	48,992

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 2007 to be approximately HK$47,461,000 (2006: HK$45,237,000). The fair value has been calculated by discounting the future cash flows at the market rate.

(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 carry interest 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

26. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

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

The net proceeds received for the issue of CB2 have been split between the liability element and an derivative component as follows:

	2007
	HK$'000
Nominal value	**18,400**
Derivative component	**(2,227)**
Liability component at date of issue	**16,173**
Interest charged	**566**
Liability component at 31 March 2007	**16,739**
Derivative component at the date of issue	**2,227**
Fair value loss recognised in current year	**5,720**
Derivative component at 31 March 2007	**7,947**

The interest charged on CB2 for the year is calculated by applying an effective interest rate of 5.479% to the liability component for the 8 month period since the loan notes were issued.

The directors estimate the fair value of the liability component of CB2 at 31 March 2007 to be approximately 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 were revalued as at the date of issue and 31 March 2007 based on valuations by an independent valuer, BMI Appraisal Limited, determined using option pricing models.

Notes to the Financial Statements

(For the year ended 31 March 2007)

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 carry 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 net proceeds received from the issue of PS have been split between the liability and derivative component, as follows:

	2007
	HK$'000
Nominal value of PS	**117,000**
Transaction cost related to liability component	**(9,561)**
Derivative component at the date of issue	**(32,258)**
Liability component at the date of issue	**75,181**
Interest charged	**5,957**
Liability component at 31 March 2007	**81,138**
Derivative component at the date of issue	**32,258**
Fair value loss recognised in current year	**10,311**
Derivative component at 31 March 2007	**42,569**

Notes to the Financial Statements

(For the year ended 31 March 2007)

27. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(Continued)*

The interest charged for the year is calculated by applying the effective interest rate of 11.965% to the liability component for the 8 month period since the PS was issued.

The directors estimate the fair value of the liability component of PS at 31 March 2007 to be approximately 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 as at the date of issue and 31 March 2007 based on valuations by an independent valuer, BMI Appraisal Limited, determined using option pricing models.

28. SHARE CAPITAL

	2007	**2007**	2006	2006
	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
Non-voting preference shares of HK$10 each	**–**	**–**	100,000,000	1,000,000
Redeemable convertible cumulative preference shares of US$0.01 each *(Note 27)*	**15,000**	**1**	–	–
Issued and fully paid:				
Ordinary shares of HK$0.1 each at beginning of year	**234,367,577**	**23,437**	217,067,577	21,707
Issue of shares upon conversion of convertible bonds	**–**	**–**	17,300,000	1,730
At end of year	**234,367,577**	**23,437**	234,367,577	23,437

Notes to the Financial Statements

(For the year ended 31 March 2007)

28. SHARE CAPITAL *(Continued)*

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

(a) During the year ended 31 March 2006, the Company had issued a total of 17,300,000 ordinary shares of HK$0.1 each in the company upon the conversion of convertible bonds as follows:

Conversion price per share	Amount of convertible bonds converted	Shares issued upon conversion	Share capital increased upon conversion
	HK$'000		*HK$'000*
HK$1.0	17,300	17,300,000	1,730

(b) 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 as follows:

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

(ii) by 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 2006,

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

29. BALANCE SHEET OF THE COMPANY

	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**–**	3
Investments in subsidiaries	**24,552**	14,022
Due from subsidiaries	**141,070**	68,483
Other current assets	**2,254**	11,978
Due to subsidiaries	**(942)**	(2,955)
Convertible bonds	**(66,643)**	(48,992)
Redeemable convertible cumulative preference shares	**(81,138)**	–
Other current liabilities	**(57,732)**	(3,281)
NET (LIABILITIES)/ASSETS	**(38,579)**	39,258
Share capital	**23,437**	23,437
Reserves	**(62,016)**	15,821
TOTAL EQUITY	**(38,579)**	39,258

30. RESERVES

(A) THE GROUP

Details of the movements in the reserves of the Group are set out in Consolidated Statement of Changes in Equity on page 28.

(B) NATURE AND PURPOSE OF RESERVES

(i) Contribution 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 2007, the Company did not have any reserve available for distribution to shareholders.

(ii) Statutory reserve

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

(iii) 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(U) to the financial statements.

Notes to the Financial Statements

(For the year ended 31 March 2007)

30. RESERVES *(Continued)*

(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 2005	194,543	57,124	2,195	–	(269,846)	(15,984)
Recognition of equity component of convertible bonds	–	–	3,592	–	–	3,592
Issue of shares on conversion of convertible bonds	17,765	–	(2,195)	–	–	15,570
Recognition of share-based payments	–	–	–	148	–	148
Profit for the year	–	–	–	–	12,495	12,495
At 31 March 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)

31. 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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

31. SHARE OPTION SCHEMES *(Continued)*

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.

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, 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 2006 and 2007 are as follows:

Option type	**Date of grant**	**Exercisable period**		**Exercise price**
		From	*To*	*HK$*
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

Notes to the Financial Statements

(For the year ended 31 March 2007)

31. SHARE OPTION SCHEMES *(Continued)*

The following tables summarise 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 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	(2,260,000)	–	–	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

Note: Mr. Robin Willi, Mr. Li Xiao Ru and Mr. Ma Yin Ming resigned as directors of the Company on 15 August 2006, 29 August 2006 and 30 November 2006 respectively, but they remain as advisors within the Group. Therefore, according to the Share Option Scheme, Mr. Robin Willi, Mr. Li Xiao Ru and Mr. Ma Yin Ming are eligible to entitle as holders of the options granted. Accordingly, the outstanding options of the resigned directors were reallocated under advisors and consultants.

Notes to the Financial Statements

(For the year ended 31 March 2007)

31. SHARE OPTION SCHEMES *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2006:

OLD SCHEME

	Option type	Number of share options: Outstanding at 1 April 2005	Lapsed/ Exercised	Outstanding at 31 March 2006
Directors	A	25,000	–	25,000

NEW SCHEME

	Option type	Number of options: Outstanding at 1 April 2005	Granted	Lapsed	Outstanding at 31 March 2006
Directors	B	7,002,000	–	–	7,002,000
	C	8,370,000	–	–	8,370,000
Total of directors		15,372,000	–	–	15,372,000
Employees	B	469,000	–	(319,000)	150,000
	C	840,000	–	(450,000)	390,000
Total of employees		1,309,000	–	(769,000)	540,000
Advisors and consultants	B	9,046,000	–	–	9,046,000
	C	8,622,000	–	–	8,622,000
	D	–	99,000	–	99,000
Total of advisors and consultants		17,668,000	99,000	–	17,767,000
Total		34,349,000	99,000	(769,000)	33,679,000

Notes to the Financial Statements

(For the year ended 31 March 2007)

31. SHARE OPTION SCHEMES *(Continued)*

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

	2007		2006	
	Average exercise price in HK$ per share	**Number of share options**	Average exercise price in HK$ per share	Number of share options
At 1 April	**2.846**	**33,704,000**	2.846	34,374,000
Granted	**–**	**–**	2.330	99,000
Lapsed	**2.786**	**(210,000)**	2.771	(769,000)
At 31 March	**2.846**	**33,494,000**	2.846	33,704,000

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.02 years (2006: 6.02 years).

During the year ended 31 March 2006, the fair values of the 99,000 share options granted by the Company to the consultants amounted to HK$148,000.

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(A) ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2007

On 26 May 2006, the Group acquired 100% equity interest in Shanghai New Everstep Investment Management and Consultancy Limited ("SNEI") at a total cash consideration of HK$4,484,000.

On 1 August 2006, the Group acquired 70% equity interest in Shanghai Harvest Network Technology Co. Limited and its subsidiary ("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 Information Technology Company Limited ("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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(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 has no significant difference from their carrying amounts are as follows:

	SNEI HK$'000	Harvest Group HK$'000	Shanghai Epay HK$'000	Total HK$'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 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)

Notes to the Financial Statements

(For the year ended 31 March 2007)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(A) ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2007 (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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(A) ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2006

On 22 April 2005, the Group subscribed 56% equity interest in the SMHS by capital contribution of HK$3,800,000. The fair values of the identifiable assets and liabilities of the subsidiary as at its date of acquisition which has no significant difference from their carrying amounts are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,778
Inventories	69
Prepayments, deposits and other receivables	71
Bank balances and cash	3,800
Trade payables	(28)
Other payables and accrued liabilities	(1,071)
Total net assets	4,619
Minority interests	(2,032)
Net assets acquired	2,587
Goodwill on acquisition	1,213
Satisfied by :	
Cash	3,800
Net cash outflow arising on acquisition:	
Cash consideration	(3,800)
Bank balances and cash acquired	3,800
	–

Notes to the Financial Statements

(For the year ended 31 March 2007)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(B) MAJOR NON-CASH TRANSACTIONS

During the years ended 31 March 2006 and 2007, the Group had he following major non-cash transactions:

(i) Conversion of the convertible bonds into the Company's shares during the year ended 31 March 2006 as set out in note 28(a).

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

(iii) During the year, 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.

(iv) 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.

33. DEFERRED TAXATION

At the balance sheet date the Group has unused tax losses of approximately HK$37,843,000 (2006: HK$23,847,000) and other temporary differences of HK$14,079,000 (2006: Nil) 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$35,421,000 (2006: HK$23,522,000) that will be expired from 2007 to 2012. Other losses may be carried forward indefinitely.

Notes to the Financial Statements

(For the year ended 31 March 2007)

34. CAPITAL COMMITMENTS

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

	2007	2006
	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**	10,530
Acquisition of non-current assets	**5,051**	–
	6,061	10,530

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:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**5,087**	2,103
In the second to fifth years inclusive	**7,231**	3,557
	12,318	5,660

At the balance sheet date, the total future minimum sublease payments expected to be received under non-cancellable subleases amounted to HK$520,000 (2006: HK$177,000).

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.

Notes to the Financial Statements

(For the year ended 31 March 2007)

36. EVENT AFTER THE BALANCE SHEET DATE

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group's consolidated financial statements will depend on the implementation details that have not been issued as of the date of the approval of these consolidated financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

37. PRESENTATION OF FINANCIAL STATEMENTS

The expenses presented in the consolidated income statement have been changed from by nature to by function as the directors consider that the new presentation is more appropriate to the financial statements following the diversification of the Group's business to include the E-commerce distribution of mobile pre-charge through the acquisition of subsidiaries during the year.

38. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2007 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	RMB 1,000,000	100%	–	100%	General trading by e-commerce
Beijing Universal Medical Assistance Co., Ltd. *(Note b)*	PRC	Registered capital	RMB 3,000,000	62.36%	–	70%	Provision of exclusive nationwide medical assistance services
Beijing Weichang Medical Clinic Co., Ltd. ("BWC") *(Notes c and d)*	PRC	Registered capital	RMB 2,000,000	100%	100%	–	Provision of medical services
Card Symbols Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding

Notes to the Financial Statements

(For the year ended 31 March 2007)

38. SUBSIDIARIES *(Continued)*

	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of interest in ownership held by *Group*	*Company*	*Subsidiaries*	Principal activities
CHC Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	100%	100%	–	Investment holding
CHC (Shanghai) Medical and Healthcare Services Ltd. *(Notes c and d)*	PRC	Registered capital	RMB 6,820,000	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
Junghua Enterprises Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
Power Ability Limited	British Virgin Islands/ Hong Kong	Ordinary	US$10,000	51%	–	51%	Investment holding and trading of medical equipments

Notes to the Financial Statements

(For the year ended 31 March 2007)

38. 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*	
Shanghai EPay Information Technology Company Limited *(Note c)*	PRC	Registered capital	US$920,000	60%	–	60%	E-commerce distribution of mobile pre-charge
Shanghai Haoyuan Biotechnology Co., Ltd. *(Note a)*	PRC	Registered capital	RMB 8,090,970	51%	–	100%	Developing, production and marketing NAT clinical reagents and medical equipments
Shanghai Harvest Network Technology Co. Limited *(Note c)*	PRC	Registered capital	RMB 40,000,000	70%	–	70%	E-commerce distribution of mobile pre-charge
Shanghai Kejin Network Technology Company Limited *(Note c)*	PRC	Registered capital	RMB 5,000,000	63%	–	90%	E-commerce distribution of mobile pre-charge
Shanghai New Everstep Investment Management and Consultancy Limited *(Note a)*	PRC	Registered capital	US$ 420,000	100%	–	100%	Provision of maternal and fetal care services
Shanghai Weichang Investment and Management Consulting Co., Ltd. *(Note a)*	PRC	Registered capital	US$ 3,350,000	100%	100%	–	Investment management and consultancy services

Notes to the Financial Statements

(For the year ended 31 March 2007)

38. 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*	
Success Gateway Investments Limited	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% and 68.46% equity interest in BWC and SMHS respectively are held by PRC residents as individual nominee for and on behalf of the Group.

Financial Summary

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**1,632,961**	6,834	7,446	222,797	245,373
Loss before tax	**(73,372)**	(101,863)	(41,371)	(52,236)	(63,380)
Income tax expenses	**(883)**	–	–	–	–
Loss from continuing operations	**(74,255)**	(101,863)	(41,371)	(52,236)	(63,380)
Loss from discontinued operations	**–**	–	(12,390)	–	–
Loss for the year	**(74,255)**	(101,863)	(53,761)	(52,236)	(63,380)
Attributable to:					
Equity holders of the Company	**(73,210)**	(96,773)	(51,914)	(52,047)	(63,380)
Minority interest	**(1,045)**	(5,090)	(1,847)	(189)	–
	(74,255)	(101,863)	(53,761)	(52,236)	(63,380)

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**198,807**	106,650	147,977	158,328	191,104
Total liabilities	**(225,137)**	(69,564)	(30,360)	(35,713)	(131,104)
Total equity	**(26,330)**	37,086	117,617	122,615	60,000