中國衛生控股有限公司

CHINA HEALTHCARE HOLDINGS LIMITED

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

ANNUAL REPORT 2011

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS
Dr. Li Zhong Yuan *(Chairman)*
Mr. Zhou Bao Yi

NON-EXECUTIVE DIRECTOR
Mr. Martin Treffer

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Yan Shi Yun
Mr. Mu Xiang Ming
Mr. Jiang Bo

COMPANY SECRETARY
Mr. Tsui Siu Hung Raymond

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit C, 19/F
Entertainment Building
30 Queen's 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
Zenith CPA Limited
Unit 318, 3/F,
Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

LEGAL ADVISER
KING & WOOD
9/F Hutchison House,
10 Harcourt Road,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE
www.chinahealthcareltd.com

STOCK CODE
673

Chairman's Statement

Dear Shareholders,

During the past financial year, the Group's operating activities have continued to focus on opportunities of creating customer value of "better access, better communication and better connectivity" through a network-based and IT-enabled connectivity platform that is scalable and cost-effective for the PRC's consumer services markets.

During the financial year, the PRC central bank enacted adverse regulations that don't allow offshore ownership or control in payments sector, and in order to comply with such newly enacted regulations, our strategic growth initiative in consumer services of expansion into payments sector would have to be curtailed and aborted. In the meantime, however, the Group managed to grow a B-to-C consumer service operation in Shandong Province, the 2nd largest provincial mobile top-up market in the PRC, which has already reached #1 market share in mobile top-up distribution and developed a distribution network of almost 26,000 POS-enabled retail outlets (and growing) there, and such an operation has become the Group's main revenue generating operation.

During the past financial year, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, continued to be insolvent due to its obligations of the convertible bond (the "CB") of outstanding principal of about US$5.39 million and the redeemable convertible preference shares of outstanding principal US$15 million (the "RCPS"). The HoldCo considers that a solution to its solvency problem would necessarily require injection of substantial external resources, and in practice the Group would have to bring in viable asset(s) and/or project(s) to enable a restructuring of its overdue financial obligations. As such and despite the Company's unsuccessful exercise of a major asset injection during the year (which is the subject of an ongoing legal proceedings with the Company as the plaintiff and the counterparties as defendants), the directors have continued to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Group to solve its solvency problem and managed to work out standstills with the CB and RCPS holders to facilitate such asset injection.

Chairman's Statement

On behalf of the directors, I would like to express my appreciation to the staffs of the Group for their dedication, commitment and contribution to the Group's overall performance and results despite HoldCo's financial distress and adverse regulatory changes. With the support of our shareholders; stakeholders and partners, I am confident that the Group will be able to work out a solution to HoldCo's solvency problem and with such a major difficulty overcome, and with the dedication of our staff and the commitment of our management team, I am also confident that the Company will be able to generate substantial shareholder value in the future.

Yours sincerely,

Dr. Li Zhong Yuan
Chairman

16 September 2011

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2011, the Group reported a turnover of approximately HK$78.4 million, representing a decrease of 97% as compared to HK$2,769.8 million (restated) for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$208.2 million as compared to loss of approximately HK$89.7 million for the previous financial year. Basic loss per share for the year was HK$0.58 (2010: loss per share HK$0.38).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2010: Nil).

BUSINESS OPERATION

During the past financial year, the Group's business operation continued to be principally engaged in provision of consumer oriented services that enable the procurement of better access, better communication and better connectivity in China.

China is undergoing mega growth of underlying consumption demands arising from China's on-going grand-scale urbanization, rising per capita income, increasing intra-China / inbound China / China outbound mobility, and ageing demographics. The Group is making its best effort as a consumer oriented service provider to embrace the mega trend in China.

Review of the Group's business operations

Most of the Group's revenue comes from its B-to-C consumer services operation. The operation's business model is oriented around scale; growth; cash flow and outlets of distribution and settlement. During the past financial year, the Group managed to grow a B-to-C consumer service operation in Shandong Province, the 2nd largest provincial mobile top-up market in China, which has already reached #1 market share in mobile top-up distribution and developed a growing distribution network of almost 26,000 POS-enabled retail outlets as of the date there, and in taking measures to remove constraints in human resources to the initiative, such an operation has had continued success in upgrading its critical human resources of senior and middle managers in marketing; technology and channel management and has become the Group's main revenue generating operation. However, the Group's operation of Shanghai mobile top-up has been facing severe adverse financial impact, a substantial downward adjustment of rebate by Shanghai Mobile on distribution of mobile top-up in paper form.

Management Discussion and Analysis

Since the beginning of the past financial year, the Group has been implementing a strategic growth initiative to position the business operation to move into payments sector. However, during the financial year, the PRC central bank enacted adverse regulations that don't allow offshore ownership or control in payments sector, and in order to comply with such newly enacted regulations, such strategic growth initiative of of expanding into payments sector would have to be curtailed and aborted.

The Group are entitled to act as agents of consignors upon the new consignment agreements effective this year. In this connection and due to this very reason, the revenue of the Group's consumer service business becomes based on distribution rebate and as such, it has had a decrease of about 97.9% in terms of revenues, based on distribution rebate, as compared with the same period in 2010.

In Group's other business operations, i.e. healthcare services focusing on travel-related emergency medical assistance and distribution of medical devices/consumables, directors would like to report that the operations have had an overall revenue of HK$23.9 million, and as these operations are non-core and in order to alleviate the Group's constraints in capital and management resources, the Group disposed them as of the date.

Review of the Group's financial distress

During the past financial year, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, continued to be insolvent due to its obligations of the convertible bond (the "CB") of outstanding principal of about US$5.39 million as of the date and the redeemable convertible preference shares of outstanding principal US$15 million (the "RCPS").

Having experimented with various ways and means to find a solution to the HoldCo's solvency problem over the previous financial year, the directors consider that a solution would necessarily require injection of substantial external resources, and in practice the Group has to bring in viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations. On or around 19 August 2010, Wingames Investments Limited ("Wingames"), an indirectly wholly-owned subsidiary of the Company, entered into the agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors") (collectively known as "Guarantors"), being the independent third parties, to acquire equity interests in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities, for a total consideration of HK$3,360 million by way of a very substantial acquisition (the "VSA"), details of which have been set out in the Company's circular dated 23 February 2011. The VSA transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants since 31 May 2011.

Management Discussion and Analysis

As such and despite the Company's unsuccessful exercise of the VSA above, the directors have continued to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Group to solve its solvency problem, and managed to work out standstills with the CB and RCPS holders to facilitate such asset injection.

Facing the financial distress above and as the Group's operations are service oriented and human capital heavy, directors have continued to make every best effort in alleviating the ongoing negative impacts of the financial distress and sustaining the underlying operations.

MATERIAL ACQUISITIONS AND DISPOSALS

Other than the VSA as disclosed in the "Review of the Group's financial distress" section, on 31 July 2010, the Group disposed Junghua Enterprises Holdings Limited, CHC (Shanghai) Medical & Healthcare Services Limited and Beijing Weichang Medical Clinic Company Limited to an independent third party for consideration of HK$1.

Save as disclosed above, there was no other material acquisition or disposal of any subsidiary of the Group during the year.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Group's cash and cash equivalents amounted to approximately HK$172.2 million as at 31 March 2011, where about HK$100 million is in its subsidiary Harvest Network Ltd. ("Harvest") and its use is restricted for Harvest's working capital and other purpose only.

The Group's total borrowings as at 31 March 2011 amounted to HK$347.5 million, all of which were represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (1.59) (2010: (2.33)), based on an amount of shareholders' equity of HK$(218,793,000) (2010: HK$(112,759,000)).

CONTINGENT LIABILITIES

As at 31 March 2011, there were no contingent liabilities of the Group.

CHARGE ON GROUP'S ASSETS

As at 31 March 2011, there was no charge on the Group's assets.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2011, the Group employed 115 (2010: 160) staff members. Total staff cost including Directors' emoluments was HK$18.3 million as compared to HK$12.1 million for the previous year.

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

FUTURE PROSPECT

While the Group's HoldCo is facing financial distress which has ongoing negative impacts on the Group's operating activities, the Group is making every best effort, and at the same time looking forward to the support and cooperation of our shareholders; stakeholders and business partners, to work out a solution to HoldCo's solvency problem.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan, aged 49 and Chairman of the Board, has many years of experience in entrepreneurship; principal investment; finance; and academia. Dr. Li held senior positions in cross border structured products/ asset swap/repackaging with major international investment banks, including Bankers Trust, Salomon Brothers, and IBJ Asia and was a Director of Rabobank International before pursuing his own principal investment and entrepreneurial operation in early 2000. Dr. Li received his Ph.D. in Mathematics with best dissertation for the year honor from the University of Michigan and subsequently worked as a C.L.E. Moore Instructor in Mathematics at the MIT. Dr. Li is a member of the International Advisory Board of the UCSD Graduate School of International Relations and Pacific Studies, and also served on boards of a number of public and private companies.

Mr. Zhou Bao Yi, aged 49 and Executive Director, is charge of the Group's finance; accounting and administration for the Group. Mr. Zhou has many years of administrative experience in organizational management and was the Chief Financial Officer; President and Chairman in Northeastern Electric Transmission and Transformation Equipment Group Ltd. – a large state-owned enterprise and a production base of transmission and transformation equipment of the PRC. Mr. Zhou received his Master degree in economics from People's University, PRC; Doctoral degree in Management from Liaoning University and is a certified Senior Accountant in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer, aged 46 and non-executive director, has extensive experience in investment and financial areas. Mr. Treffer holds a master's degree in Banking and Economics from KV Zurich Business School, Switzerland. He has worked for several major international investment management and financial organizations. He is a founding member and principal partner of 2trade Group Ltd., an independent money management company in Switzerland.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 55 and independent non-executive director, is an experienced international lawyer. Mr. Mu is currently the managing partner of Shanghai Ming & Yuan Law Firm, a law firm with its principal office in Shanghai and affiliated offices in the U.S. and Japan and was a member of the Shanghai Municipal Government Foreign Economic Trade Committee and a practicing lawyer in a U.S. solicitors firm for four years. He received his L.L.B. degree from Fudan University Law School in Shanghai, China and L.L.M. degree from University of Oregon Law School in the United States.

Dr. Yan Shi Yun, aged 71 and independent non-executive director, is a highly distinguished TCM doctor. Currently, Dr. Yan is the Deputy Chairman of Academic Evaluation Department of State Council Academic Committee, Deputy Chairman of China Medical High Education Committee and Deputy Chairman of Chinese Traditional Medicine High Education Committee. He is also the Chairman of Shanghai TCM Development Expert Panel, and Deputy Chairman of Shanghai Chinese Traditional Medicine Association. He serves as a member of the State Pharmacopoeia Committee, Shanghai Academic Committee, and China Academy of Sciences for Chinese Traditional Medicine. Dr. Yan is an Honorary Professor of TCM Department of The University of Hong Kong and Honorary Visiting Professor of The Chinese University of Hong Kong. Previously he was the President of Shanghai University of TCM and Director of the TCM Institute of Shanghai University of TCM from 1985 to 2005.

Mr. Jiang Bo, aged 53 and independent non-executive director, is an experienced auditor and a CPA with more than 10 years of IPO project experiences with state-owned enterprises in China and overseas. He is a well respected member of the Chinese Institute of Certified Public Accountant (CICPA), Chinese Institute of Certified Public Valuer (CICPV) and the Liaoning Assets Appraisal Specialists Committee. Currently, Mr. Jiang is the General Manager of Liaoning Reanda Certified Public Accountant Firm. Previously, he was the Director of The Economy and Culture Promoting Association of Liaoning Province in China. He serves on the board of Brilliance China Automotive Holding Limited as an independent non-executive director.

SENIOR MANAGEMENT

Ms. Yu, Amy, aged 37 and Chief Operating Officer and Vice President of the Group, is in charge of the Group's daily operating activities. Ms. Yu is a successful entrepreneur who built up her own financial; accounting; operational and managerial consulting business from scratch, now with offices both in Shanghai and Beijing and client coverage throughout China including Inner Mongolia Mengniu Dairy Industry (Group) Co., Ltd. etc. Ms. Yu has extensive experience in service sales and marketing in China and proven track record in business management and is an official financial consultant for China Association for Small and Medium Enterprises. Ms. Yu has a BS in accounting from Shanghai University of Finance and Economy and is a CPA.

Directors and Senior Management

Ms. Zhang, Jane, aged 49 and Vice President, is in charge of the operation of the Group's subsidiary Shanghai Harvest Network Technology Co., Ltd. as its General Manager, and has extensive operating and managerial experiences of 25 years with Chinese financial services industry and wide range of contacts in Chinese government and business community. Previously Ms. Zhang was Assistant President of CITIC Bank, Shanghai. Ms. Zhang has a BA from University of Foreign Trade and Economy and MBA from Macau University of Science and Technology.

Mr. Ren, Jun, aged 45 and Vice President of Diagnostic Products, is in charge of the Group's distribution business in diagnostic devices; equipments and reagents. Mr. Ren possesses more than 14 years of experience in distributing reagents, diagnostic devices and equipments into hospitals throughout China, and was previously a star salesman at Beckman Coulter for the Greater China region for several years before moving into his own entrepreneurial pursue for 5 years. Mr. Ren has a BS in biomedicine from Shanghai University of Science and Technology.

Mr. Yoo, Fred, aged 51 and Vice President of International Operations, is in charge of international operations for Group's healthcare service business, and has more than 15 years of senior management experiences with global operation strategy, operations management and customer services at leading world organizations across insurance, financial services, and telecommunications. Prior to CHC, Mr. Yoo assumed senior management positions at AIG/AIU, SWIFT and Telcordia responsible for global operations and customer services. Mr. Yoo worked at worldwide/regional headquarters in US, Europe and Asia. Mr. Yoo received MBA from Columbia University, M.S in Computer Science from Brown University and B.S. in Mathematics from Harvey Mudd College. He is a certified project manager.

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond, aged 35, is the secretary of the Company. Mr. Tsui received his Bachelor of Business Administration in Accounting from the Chinese University of Hong Kong. He has over 12 years of experience in finance, consulting, accounting and auditing. He is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants.

Report of the Directors

The directors submitting herewith their annual report and the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of B-to-C consumer services in E-distribution of mobile pre-charge etc., B-to-B healthcare services and sales of medical devices and consumables. Following disposal of Junghua Enterprises Holdings Limited, CHC (Shanghai) Medical & Healthcare Services Limited and Beijing Weichang Medical Clinic Company Limited on 31 July 2010 as disclosed in note 14 to the financial statements, the B-to-B healthcare services operations were discontinued.

RESULTS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 26.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in the note 31 to the financial statements.

REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Details of the redeemable convertible cumulative preference shares are set out in the note 32 to the financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 35 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 36(b) to the financial statements and consolidated statement of changes in equity on page 30 respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 March 2011, the Company had no reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981.

DIRECTORS AND THEIR SERVICE CONTRACTS

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

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan
Mr. Zhou Bao Yi

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

In accordance with the Company's Bye-law 87, Mr. Martin Treffer and Mr. Jiang Bo 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. Martin Treffer and Mr. Jiang Bo 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.

All Non-Executive Directors and Independent Non-Executive Directors are not appointed for a specific term.

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 2011, the interests and short positions of the Directors/Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions in which the directors were deemed or taken to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of director/chief executive	Company/associated corporation	Capacity	Interests in shares (other than pursuant to equity derivatives)	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 2011
Dr. Li Zhong Yuan	The Company	Corporate	11,147,000 *(Note 1)*	–	11,147,000	2.21%
		Personal	13,296,000	6,244,000	19,540,000	3.88%
Mr. Martin Treffer	The Company	Corporate	1,295,000 *(Note 2)*	–	1,295,000	0.26%
		Personal	250,000	1,902,000	2,152,000	0.43%
Mr. Zhou Bao Yi	The Company	Personal	1,002,000	–	1,002,000	0.20%
Mr. Mu Xiang Ming	The Company	Personal	261,000	210,000	471,000	0.09%
Dr. Yan Shi Yun	The Company	Personal	–	261,000	261,000	0.05%
Mr. Jiang Bo	The Company	Personal	261,000	–	261,000	0.05%

Notes:

1. These shares are held through Pacific Annex Capital Limited which is 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.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2011, so far as is known to Directors, those persons other than Directors and chief executive of the Company, who had the interest or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of substantial shareholders	Capacity	Interests in shares	Interests in underlying shares pursuant to equity derivatives	Total interests in shares and underlying shares	Approximate percentage of shares and underlying shares held to existing total issued shares
Dragonrise Capital Advisors Inc. *(Note 1)*	Beneficial owner	62,480,474	–	62,480,474	12.42%
Yeung Ning *(Note 1)*	Interests of controlled corporation	62,480,474	–	62,480,474	12.42%
Capital Foresight Limited *(Note 2)*	Beneficial owner	–	364,687,500	364,687,500	72.47%
Chen Li Bo *(Note 2)*	Interests of controlled corporation	–	364,687,500	364,687,500	72.47%
Yu Feng *(Note 2)*	Interests of controlled corporation	–	364,687,500	364,687,500	72.47%
ZhongXing Limited *(Note 3)*	Beneficial owner	66,959,474	–	66,959,474	13.31%
Ho Kin *(Note 3)*	Interests of controlled corporation	71,963,474	–	71,963,474	14.30%
Mascot Land Limited *(Note 4)*	Beneficial owner	–	8,290,000,000	8,290,000,000	1,647.26%
China Zhongfu Industry Co., Ltd ("China Zhongfu") *(Note 4)*	Interests of controlled corporation	–	8,290,000,000	8,290,000,000	1,647.26%
Anhui Anhe Investment Consulting Co., Ltd ("Anhui Anhe") *(Note 4)*	Interests of controlled corporation	–	8,290,000,000	8,290,000,000	1,647.26%

Report of the Directors

Notes:

(1) Dragonrise Capital Advisors Inc. was beneficially wholly-owned by Yeung Ning. Therefore, Yeung Ning was deemed to be interested in the shares held by Dragonrise Capital Advisors Inc..

(2) The equity derivatives represent preference shares which entitle the holder thereof to convert for 364,687,500 fully paid shares at an adjusted conversion price of HK$0.32 per share (subject to adjustments). Capital Foresight Limited was beneficially owned as to 36% by Chen Li Bo and 36% by Yu Feng. Therefore, each of Chen Li Bo and Yu Feng was deemed to be interested in the underlying shares held by Capital Foresight Limited.

(3) ZhongXing Limited was wholly-owned by Ho Kin. Therefore, Ho Kin was deemed to be interested in the shares held by ZhongXing Limited.

(4) The underlying shares represent the conversion notes which entitle the holder thereof to convert for 8,290,000,000 shares at an initial conversion price of RMB0.344753 (equivalent to HK$0.40) per share (subject to adjustments). Mascot Land Limited was owned as to about 35.5% by China Zhongfu, about 35.5% by Anhui Anhe, and 29.0% by Tide Rejoice Ltd. Therefore, China Zhongfu and Anhui Anhe were deemed to be interested in the underlying shares held by Mascot Land Limited.

Report of the Directors

SHARE OPTION SCHEMES

There is no change in any terms of the share option schemes of the Company during the year ended 31 March 2011.

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

	Option type	Outstanding at 1 April 2010	Granted	Exercised	Outstanding at 31 March 2011
Directors					
Li Zhong Yuan	A	25,000	–	–	25,000
	B	1,500,000	–	–	1,500,000
	C	2,100,000	–	–	2,100,000
	E	–	2,619,000	–	2,619,000
Zhou Bao Yi	E	–	1,002,000	(1,002,000)	–
Martin Treffer	C	900,000	–	–	900,000
	E	–	1,002,000	–	1,002,000
Mu Xiang Ming	C	210,000	–	–	210,000
	E	–	261,000	(261,000)	–
Yan Shi Yun	E	–	261,000	–	261,000
Jiang Bo	E	–	261,000	(261,000)	–
Total Directors		4,735,000	5,406,000	(1,524,000)	8,617,000
Employees	B	60,000	–	–	60,000
	C	270,000	–	–	270,000
	E	–	6,570,000	(4,221,000)	2,349,000
Total employees		330,000	6,570,000	(4,221,000)	2,679,000
Advisors and consultants	B	4,144,000	–	–	4,144,000
	C	4,422,000	–	–	4,422,000
	D	99,000	–	–	99,000
Total advisors and consultants		8,665,000	–	–	8,665,000
Total		13,730,000	11,976,000	(5,745,000)	19,961,000

Option type	Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*
A	31 Aug 2001	31/8/2001-15/5/2011	8.60*	12.000*
B	2 Feb 2004	2/2/2004-7/4/2012	3.40	3.800
C	3 Mar 2005	3/3/2005-7/4/2012	2.325	2.325
D	20 Jun 2005	20/6/2005-7/4/2012	2.330	2.300
E	13 Apr 2010	13/4/2010-12/4/2020	0.500	0.490

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

On 13 April 2010, the Group granted 5,406,000 and 6,570,000 share options with an exercise price of HK$0.5 per share to directors and employees of the Group. The Group recognised the total expense of approximately HK$2,898,000 for the year ended 31 March 2011 in relation to grant of share options by the Company.

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 134 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 44 to the financial statements.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 22.17% and 47.79%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 44.74% and 64.19%, 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 2011.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2011, the Group had a loan of US$2.7 million (equivalent to HK$21,026,000) made to Multiline Digital Co. Ltd, an independent third party. Full impairment loss for the loan was made in prior years. Details of which are disclosed in note 25 to the financial statements.

AUDITORS

Zenith CPA Limited were appointed as auditors of the Company on 17 August 2011 upon the resignation of SHINEWING (HK) CPA Limited. A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. Zenith CPA Limited.

On behalf of the Board

Zhou Bao Yi
Executive Director

16 September 2011

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 2011 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

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

During the year, the Board held 6 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	6/6
Mr. Zhou Bao Yi	6/6
Non-executive director	
Mr. Martin Treffer	6/6
Independent non-executive directors	
Dr. Yan Shi Yun	6/6
Mr. Mu Xiang Ming	6/6
Mr. Jiang Bo	6/6

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers that all of independent non-executive directors are 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 11 of this annual report respectively.

Corporate Governance Report

CHAIRMAN AND EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan is the Chairman of the Board and an Executive Director of the Company, and Mr. Zhou Bao Yi is an Executive Director of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. Mr. Zhou Bao Yi is responsible for the Group's overall business development, implementation 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 established its Remuneration Committee on 31 March 2007 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Mu Xiang Ming, Dr. Yan Shi Yun and Mr. Jiang Bo. No meeting was held during the year.

NOMINATION OF DIRECTORS

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

AUDITORS' REMUNERATION

The Company's external auditors are Messrs. Zenith CPA Limited. For the year ended 31 March 2011, the Group incurred audit fees of approximately HK$1,291,000.

AUDIT COMMITTEE

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2011.

Corporate Governance Report

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
Mr. Zhou Bao Yi	2/2
Independent Non-executive Directors	
Dr. Yan Shi Yun	2/2
Mr. Mu Xiang Ming	2/2
Mr. Jiang Bo	2/2

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 2011 and the unaudited interim financial statements for the six months ended 30 September 2010, 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 2011.

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

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 September 2010 and for the year ended 31 March 2011, 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

诚丰
Zenith

ZENITH CPA LIMITED
誠豐會計師事務所有限公司
Unit 318, 3/F., Shui On Centre,
6-8 Harbour Road.
Wanchai, Hong Kong
香港灣仔港灣道6-8號
瑞安中心3樓318室
電話：(852) 3483 2276 傳真：(852) 3186 4205

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 26 to 133, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

Independent Auditor's Report

to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 the Group's affairs as at 31 March 2011 and of its loss 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.

EMPHASIS OF MATTER

The accompanying consolidated financial statements for the year ended 31 March 2011 have been prepared assuming that the Group will continue as a going concern. Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicated that the Group incurred a net loss of approximately HK$182,135,000 during the year ended 31 March 2011 and, as of that date, the Group's total liabilities exceed its total assets by approximately HK$97,815,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887

Hong Kong
16 September 2011

Consolidated Statement of Comprehensive Income

(For the year ended 31 March 2011)

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Revenue	9	**78,442**	2,769,760
Cost of sales		**(41,435)**	(2,750,149)
Gross profit		**37,007**	19,611
Other income	10	**4,443**	2,494
Distribution expenses		**(11,074)**	(7,440)
Administrative expenses		**(46,774)**	(38,388)
Other operating expenses		**(686)**	(1,269)
Finance costs	11	**(102,603)**	(63,878)
Gain (loss) on recalculation of liability component of redeemable convertible cumulative preference shares	32	**95,227**	(18,194)
Impairment loss recognised in respect of trade and other receivables	23, 24	**(3,017)**	(3,716)
Gain on disposal of financial assets at fair value through profit or loss		**–**	108
Gain on disposal of subsidiaries	39	**–**	2,533
Gain on deemed disposal of a subsidiary	40	**–**	56
Fair value loss on derivative component of convertible bonds	31	**(13,211)**	(6,040)
Fair value (loss) gain on derivative component of redeemable convertible cumulative preference shares	32	**(115,338)**	18,871
Impairment loss on goodwill	19	**(25,012)**	–
Loss before tax		**(181,038)**	(95,252)
Income tax expense	12	**(3,374)**	(386)
Loss for the year from continuing operations	13	**(184,412)**	(95,638)
Discontinued operations			
Profit (loss) for the year from discontinued operations	14	**2,277**	(3,173)
Loss for the year		**(182,135)**	(98,811)
Other comprehensive income			
Exchange differences arising on translation		**12,260**	2,388
Release of exchange differences upon disposal of subsidiaries		**(4,482)**	102
Other comprehensive income for the year		**7,778**	2,490
Total comprehensive expenses for the year		**(174,357)**	(96,321)

Consolidated Statement of Comprehensive Income (Continued)

(For the year ended 31 March 2011)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
			(Restated)
Loss for the year attributable to:			
Owners of the Company			
– Loss for the year from continuing operations		**(210,241)**	(86,522)
– Profit (loss) for the year from discontinued operations		**2,025**	(3,173)
Loss for the year attributable to owners of the Company		**(208,216)**	(89,695)
Non-controlling interests			
– Profit (loss) for the year from continuing operations		**25,829**	(9,116)
– Profit for the year from discontinued operations		**252**	–
Profit (loss) for the year attributable to non-controlling interests		**26,081**	(9,116)
		(182,135)	(98,811)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(204,259)**	(87,605)
– Non-controlling interests		**29,902**	(8,716)
		(174,357)	(96,321)
Basic and Diluted (loss) earning per share (HK$)	*17*		
– From continuing operation		**(0.59)**	(0.37)
– From discontinued operation		**0.01**	(0.01)
		(0.58)	(0.38)

Consolidated Statement of Financial Position

(As at 31 March 2011)

	Notes	2011 *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment	*18*	**5,034**	8,482
Goodwill	*19*	**–**	32,582
Other intangible assets	*20*	**1,329**	2,012
Prepayment for acquisition of non-current assets	*21*	**–**	–
		6,363	43,076
Current assets			
Inventories	*22*	**2,970**	22,724
Trade receivables	*23*	**20,447**	38,602
Prepayments, deposits and other receivables	*24*	**87,201**	16,355
Loan receivables	*25*	**–**	–
Restricted bank balances	*26*	**100,173**	153,894
Bank balances and cash	*27*	**71,998**	20,241
		282,789	251,816
Current liabilities			
Trade payables	*28*	**92**	2,070
Other payables and accrued expenses	*29*	**34,978**	33,361
Amounts due to directors	*30*	**545**	5,188
Derivative component of convertible bonds	*31*	**–**	6,046
Derivative component of redeemable convertible cumulative preference shares	*32*	**121,577**	6,239
Liability component of convertible bonds	*31*	**–**	52,147
Liability component of redeemable convertible cumulative preference shares	*32*	**–**	176,820
Secured bank loans	*33*	**–**	34,200
Income tax payables		**3,496**	216
		160,688	316,287
Net current assets (liabilities)		**122,101**	(64,471)
Total assets less current liabilities		**128,464**	(21,395)

Consolidated Statement of Financial Position (Continued)

(As at 31 March 2011)

	Notes	2011	2010
		HK$'000	*HK$'000*
Non-current liabilities			
Liability component of convertible bonds	*31*	**45,188**	–
Liability component of redeemable convertible cumulative preference shares	*32*	**180,755**	–
Deferred tax liabilities	*34*	**336**	423
		226,279	423
Net liabilities		**(97,815)**	(21,818)
Capital and reserves			
Share capital	*35*	**50,326**	26,202
Reserves		**(269,119)**	(138,961)
Equity attributable to owners of the Company		**(218,793)**	(112,759)
Non-controlling interests		**120,978**	90,941
		(97,815)	(21,818)

The consolidated financial statements on pages 26 to 133 were approved and authorised for issue by the board of directors on 16 September 2011 and are signed on its behalf by:

Li Zhong Yuan	**Zhou Bao Yi**
Director	*Director*

Consolidated Statement of Changes in Equity

(For the year ended 31 March 2011)

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Statutory reserves	Convertible bonds reserve	Foreign currency translation reserve	Share options reserve	Accumu-lated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note a)	*(Note b)*	*(Note c)*	*(Note d)*	*(Note e)*	*(Note f)*				
At 1 April 2009	23,437	212,308	57,124	1,047	3,592	11,591	148	(346,099)	(36,852)	99,355	62,503
Loss for the year	–	–	–	–	–	–	–	(89,695)	(89,695)	(9,116)	(98,811)
Other comprehensive income for the year	–	–	–	–	–	2,090	–	–	2,090	400	2,490
Total comprehensive income (expenses) for the year	–	–	–	–	–	2,090	–	(89,695)	(87,605)	(8,716)	(96,321)
Conversion of convertible bonds	2,765	8,933	–	–	–	–	–	–	11,698	–	11,698
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	302	302
At 31 March 2010 and 1 April 2010	26,202	221,241	57,124	1,047	3,592	13,681	148	(435,794)	(112,759)	90,941	(21,818)
Loss for the year	–	–	–	–	–	–	–	(208,216)	(208,216)	26,081	(182,135)
Other comprehensive income for the year	–	–	–	–	–	3,957	–	–	3,957	3,821	7,778
Total comprehensive income (expenses) for the year	–	–	–	–	–	3,957	–	(208,216)	(204,259)	29,902	(174,357)
Issue of convertible bond	–	–	–	–	65,000	–	–	–	65,000	–	65,000
Conversion of convertible bond	23,549	68,905	–	–	(65,000)	–	–	–	27,454	–	27,454
Share option granted	–	–	–	–	–	–	2,898	–	2,898	–	2,898
Share option exercised	575	3,688	–	–	–	–	(1,390)	–	2,873	–	2,873
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	135	135
At 31 March 2011	**50,326**	**293,834**	**57,124**	**1,047**	**3,592**	**17,638**	**1,656**	**(644,010)**	**(218,793)**	**120,978**	**(97,815)**

Consolidated Statement of Changes in Equity (Continued)

(For the year ended 31 March 2011)

Notes:

(a) **Share premium**

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

(b) **Contributed surplus**

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

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

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31 March 2011, the Company did not have any reserve available for distribution to shareholders.

(c) **Statutory reserves**

Statutory reserves, which are non-distributable, are appropriated from the profit after tax of subsidiaries of the Company in the People's Republic of China (the "PRC") under the applicable laws and regulations in the PRC.

(d) **Convertible bonds reserve**

The convertible bonds reserve represents the value of the unexercised/repurchased equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 4 to the consolidated financial statements.

(e) **Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(f) **Share options reserve**

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy of share-based payments set out in note 4 to the consolidated financial statements.

Consolidated Statement of Cash Flows

(For the year ended 31 March 2011)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
			(Restated)
OPERATING ACTIVITIES			
Loss before tax from continuing operation		**(181,038)**	(95,252)
Profit (loss) before tax from discontinued operation		**2,277**	(3,173)
		(178,761)	(98,425)
Adjustments for:			
Finance costs		**102,603**	63,878
Interest income		**(743)**	(725)
Share options granted		**2,898**	–
Amortisation of other intangible assets		**579**	314
Depreciation		**3,954**	4,434
Dividend income		**–**	(3)
Impairment losses recognised in respect of trade and other receivables		**3,017**	3,717
Impairment losses recognised in respect of goodwill		**25,012**	–
Impairment losses recognised in respect of obsolete inventories		**1,002**	–
Loss on repurchase of convertible bonds		**43**	–
Fair value loss on derivative component of convertible bonds		**13,211**	6,040
Fair value loss (gain) on derivative component of redeemable convertible cumulative preference shares		**115,338**	(18,871)
(Gain) loss on recalculation of liability component of redeemable convertible cumulative preference shares	*32*	**(95,227)**	18,194
Gain on deemed disposal of a subsidiary	*40*	**–**	(56)
Gain on disposal of subsidiaries	*39*	**(1,387)**	(2,533)
Gain on disposal of financial assets at fair value through profit or loss		**–**	(108)
Loss on disposal of/written off of property, plant and equipment		**2,037**	564
Loss on written off of other intangible assets		**173**	–
Loss on written off of interest in an associate		**–**	1
Operating cash flows before movements in working capital		**(6,251)**	(23,579)
(Increase) decrease in inventories		**(469)**	3,634
(Increase) decrease in trade receivables		**(13,927)**	1,327
Increase in prepayments, deposits and other receivables		**(58,012)**	(4,885)
(Decrease) increase in trade payables		**(1,582)**	1,308
Increase in other payables and accrued expenses		**54,594**	1,431
Cash used in operations		**(25,647)**	(20,764)
Income tax paid		**(181)**	(396)
NET CASH USED IN OPERATING ACTIVITIES		**(25,828)**	(21,160)

Consolidated Statement of Cash Flows (Continued)

(For the year ended 31 March 2011)

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,712)**	(1,850)
Net cash outflow on acquisition of a subsidiary	*38*	**–**	(816)
Net cash outflow on disposal of subsidiaries	*39*	**(2,175)**	(98)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	164
Proceeds from disposal of property, plant and equipment		**1,230**	–
Interest received		**743**	725
Dividend received		**–**	3
NET CASH USED IN INVESTING ACTIVITIES		**(4,914)**	(1,872)
FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds		**65,000**	–
Proceeds from issue of convertible preference shares by a subsidiary		**–**	388
Issue of ordinary shares		**2,873**	–
Proceeds from new secured bank loans		**–**	34,200
Repayment of secured bank loans		**(34,200)**	–
Repurchase of convertible bond		**(623)**	–
Interest paid		**(313)**	–
(Decrease) increase in amounts due to directors		**(4,644)**	3,968
NET CASH FROM FINANCING ACTIVITIES		**28,093**	38,556
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,649)**	15,524
Effect of foreign exchange rate changes		**685**	2,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**174,135**	156,433
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**172,171**	174,135
Analysis of cash and cash equivalents:			
Restricted bank balances		**100,173**	153,894
Bank balances and cash		**71,998**	20,241
		172,171	174,135

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

The Company is an investment holding company. The principal activities of its subsidiaries is set out in note 45 to the consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

As at 31 March 2011, the Company and its subsidiaries (collectively referred to as the "Group") had net liabilities of approximately HK$97,815,000. Furthermore, the Group had bank balances of approximately HK$172,171,000, of which HK$100,173,000 are subject to restrictions imposed by the non-redeemable convertible preference shareholders of the Company's subsidiary pursuant to the terms of the subscription agreement. This condition therefore indicate the existence of a material uncertainty in relation to the Group's ability to continue as a going concern. In view of such circumstance, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

2. BASIS OF PREPARATION *(Continued)*

During the year ended 31 March 2011, the Group was unable to redeem the convertible bonds which had been due on 18 May 2010 ("CB1"). At 31 March 2011, the overdue principal and interest of CB1 were approximately HK$42,588,000 and HK$2,600,000 respectively. A majority of the holders of the CB1 have signed a consent letter to conditionally agree a three years extension for the CB1 to 17 May 2013, and these would, de facto, allow the Group to defer the redemption of the convertible bonds, provided that the Group will bring in viable assets and/or projects and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB1 upon and after completion of the acquisition of viable assets and/or projects. The Group is currently in discussion with certain prospective external resources providers to bring in viable assets and/or projects to restructure its defaulted financial obligation, and to solve the Group's solvency problem.

In addition, the Group has redeemable convertible cumulative preference shares with original maturity date of 28 July 2011 and was extended to 17 May 2013 ("PS") with outstanding amounts as at 31 March 2011 of approximately HK$302,332,000. The holder of the redeemable convertible cumulative preference shares of the Company ("PS holder") also conditionally agreed to convert all their redeemable preference shares into equity upon completion of the Group's acquisition of viable assets and/or projects.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors, the Group should be able to continue as a going concern in the coming year taking into consideration the specific measures to improve its financial position which include, but not limited to, the following:

(a) On the successful of the extension of the redemption of CB1 to 17 May 2013;

(b) On the successful of the acquisition of viable assets and/or projects and restructuring of capital structure with PS holder, the Group's liabilities to the PS holder will be released and discharged upon conversion of the redeemable preference shares into equity by the PS holder, thereby improving the liquidity position of the Group;

(c) The substantial shareholders of the Company had agreed to provide adequate funds for the Group to meet its liabilities as they fall due;

(d) The Group successful implementation of stringent cost control measures and the continuous financial support provided by the Group's prospective investors to finance its future working capital and financial requirements;

(e) The directors are looking for various business opportunities to broaden its business scope and sources of income through investment or business ventures to improve the profitability of the Group.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

2. BASIS OF PREPARATION *(Continued)*

Based on the aforesaid factors, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, the validity of which depends upon the financial support from the substantial shareholders, convertible bonds holders and PS holder at a level sufficient to finance the working capital requirements of the Group. Accordingly, the directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to these financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA that are mandatorily effective for accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee ("HK(IFRIC)") – Interpretation ("Int") 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there were no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations issued in 2009, as part of the Improvements to HKFRSs clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such asset (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets, as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

HK – Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK – Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK – Int 5 has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[7]
HKFRS 10	Consolidated Financial Statements[7]
HKFRS 11	Joint Arrangements[7]
HKFRS 12	Disclosure of Interests in Other Entities[7]
HKFRS 13	Fair Value Measurement[7]
HKAS 1 (Revised)	Presentation of Financial Statements[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (2011)	Employee Benefits[7]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[7]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 July 2012

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

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only *(Continued)*

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

The amendments to HK(IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

New and revised HKFRSs affecting presentation and disclosure only *(Continued)*

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial positions of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For the goodwill arriving on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment including held for use in the supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimated accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible asset acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, loan receivables, restricted bank balances, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued expenses, amounts due to directors and secured bank loans are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds containing liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds containing liability and equity components (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised Over the period of the convertible bonds using the effective interest method.

Convertible bonds containing liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Redeemable convertible cumulative preference shares

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

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Redeemable convertible cumulative preference shares (Continued)

Transaction costs are apportioned between the liability and derivative components of the redeemable convertible cumulative preference shares based on the allocation of proceeds to the liability and derivative components when the instruments on initial recognition. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the redeemable convertible cumulative preference shares using effective interest method. Transaction costs relating to derivative component are charged to profit or loss immediately.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. HK$) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenues from the sales of goods are recognised when the goods are delivered and the title has passed.

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

Commission income represents amounts earned from distribution of mobile pre-charge and is recognised according to agreement terms and as mobile pre-charge are sold to ultimate customers.

Service fee income is recognised when the service is rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are 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 in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

Payments to the retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to advisors/consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) *(Continued)*

In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 as an expense immediately in profit or loss.

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 had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Going concern and liquidity

As explained in note 2 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are taking active steps to improve the liquidity position of the Group and details are set out in note 2. Should the Group be unable to raise new financing or other measures fail to improve the liquidity of the Group and the Group is unable to continue in business as a going concern, adjustments would be needed to reduce the carrying amounts of the assets of the Group to their recoverable amounts and, to provide for further liabilities which might arise.

Impairment losses for prepayment for acquisition of non-current assets

During the year ended 31 March 2009, the Group recognised full impairment losses for prepayment for acquisition of non-current assets of approximately HK$7,045,000. The directors of the Company have assessed the development of the project carried out by the potential investment which is concluded to be unprofitable. Relevant details are set out in note 21 to the consolidated financial statements. In making such assessment, the directors of the Company exercised judgement, which caused uncertainty in the assessment that would impact the amount of impairment loss recognised in the consolidated statement of comprehensive income for the year ended 31 March 2009. The directors of the Company reviewed the impairment losses and no revision was made for the year ended 31 March 2011 and 2010.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment losses for loan receivables

During the year ended 31 March 2009, the Group recognised impairment losses for loan receivables of an aggregate amount of approximately HK$18,909,000. The amount represented loan advancements to several independent third parties. The directors of the Company had assessed the recoverability of the loan receivables on an individual basis, and had considered for the financial position of the borrower and their ability to repay. The directors of the Company are of the opinion that the outstanding loan receivables at 31 March 2009 are irrecoverable, and full impairment had been charged to the consolidated statement of comprehensive income accordingly. Details of impairment assessment on loan receivables are set out in note 25. The directors of the Company reviewed the impairment losses and no revision was made for the year ended 31 March 2011 and 2010.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the deprecation charges and the amounts of assets written down for future periods.

Impairment losses for property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. No impairment loss in respect of property, plant and equipment was recognised for the years ended 31 March 2011 and 2010.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment losses for bad and doubtful debts for trade and other receivables

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. As at 31 March 2011, the carrying amount of trade and other receivables is approximately HK$92,914,000 (net of allowance for doubtful debts of approximately HK$12,843,000) (31 March 2010: carrying amount of approximately HK$49,233,000, net of allowance for doubtful debts of approximately HK$20,571,000).

Impairment losses for obsolete inventories

During the year ended 31 March 2011, the Group recognised impairment losses for obsolete inventories of approximately HK$1,002,000 (2010: HK$1,000). The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items and for price reduction in the market prices. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

Impairment losses for goodwill

The Group determines whether goodwill is impaired at least on an annual basis and in accordance with the accounting policy stated in note 4. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Full impairment loss in respect of goodwill has been recognised during the year ended 31 March 2011 (2010: Nil).

Details of impairment testing on goodwill are set out in note 19.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of embedded derivatives

As disclosed in notes 31 and 32 to the consolidated financial statements, the fair values of the derivative components of convertible bonds and redeemable convertible cumulative preference shares at the date of issue, date of conversion and the end of the reporting periods were determined using Binomial Model with reference to the valuations performed by an independent valuer. Application of the valuation model 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. During the year ended 31 March 2011, the fair value loss of the derivative components of convertible bonds and fair value loss of the redeemable convertible cumulative preference shares are approximately HK$13,211,000 (2010: fair value loss of approximately HK$6,040,000) and HK$115,338,000 (2010: fair value gain of approximately HK$18,871,000) respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes convertible bonds, redeemable convertible cumulative preference shares, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through adjusting the new share issues, share buy-back and the issue of new debt or the redemption of existing debt or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade receivables	**20,447**	38,602
Deposits and other receivables	**73,502**	11,286
Bank balances and cash	**71,998**	20,241
Restricted bank balances	**100,173**	153,894
	266,120	224,023
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**92**	2,070
Other payables and accrued expenses	**34,978**	33,361
Amounts due to directors	**545**	5,188
Liability component of convertible bonds	**45,188**	52,147
Liability component of redeemable convertible cumulative preference shares	**180,755**	176,820
Secured bank loans	**–**	34,200
	261,558	303,786
Financial liabilities at fair value through profit or loss		
Derivative component of convertible bonds	**–**	6,046
Derivative component of redeemable convertible cumulative preference shares	**121,577**	6,239
	121,577	12,285
	383,135	316,071

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, restricted bank balances, bank balances and cash, trade payables, other payables and accrued expenses, amounts due to directors, convertible bonds, redeemable convertible cumulative preference shares and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The majority of bank balances and cash, convertible bonds and redeemable convertible cumulative preference shares of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2011, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective closing rates, are as follows:

	2011			2010		
	Monetary assets	**Monetary liabilities**	**Net exposure**	Monetary assets	Monetary liabilities	Net exposure
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
HK$	**36,248**	**18,248**	**18,000**	3,418	25,477	(22,059)
US$	**35,044**	**322,130**	**(287,086)**	105,176	221,140	(115,964)

The Group is mainly exposed to HK$ and US$.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

The following table details the Group's sensitivity analysis to a 5% (2010: 1%) increase or decrease in RMB against the relevant foreign currencies. 5% (2010: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2010: 1%) change in foreign currency rates. A positive number below indicates a decrease in loss where RMB strengthens 5% (2010: 1%) against the relevant currencies. For a 5% (2010: 1%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the loss after tax and accumulated losses, and the balances below would be negative.

Effect on loss after tax:

	2011	2010
	HK$'000	*HK$'000*
HK$	**(900)**	221
US$	**14,354**	1,160
	13,454	1,381

Interest rate risk

The Group expose to fair value interest rate risk in relation to fixed-rate convertible bonds, redeemable convertible cumulative preference shares and secured bank loans as disclosed in notes 31, 32 and 33 respectively. The Group currently does not enter into any hedging instrument for fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

The Group's derivative components of convertible bonds, redeemable convertible cumulative preference shares and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

At 31 March 2011, if the share price of the Company and its volatility had increased by 10% (2010: 10%) with all other variables held constant and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated post-tax loss for the year would increase by approximately HK$23,202,000 (2010: the consolidated post-tax profit for the year would decrease by approximately HK$2,137,000), arising from changes in fair value of the derivative components of convertible bonds and redeemable convertible cumulative preference shares.

If the share price of the Company and its volatility had decreased by 10% (2010: 10%) with all other variables held constant and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated post-tax loss for the year would decrease by approximately HK$22,097,000 (2010: the consolidated post-tax profit for the year would increase by approximately HK$2,985,000), arising from changes in fair value of derivative components of convertible bonds and redeemable convertible cumulative preference shares.

Credit risk

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

As at 31 March 2011, the Group has concentration of credit risk as 23% (2010: 18%) and 57% (2010: 55%) of the total trade receivables was due from the Group's largest customer and five largest customers, respectively which are included in the segment of B-to-C consumer services.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 March 2011 and 2010.

Other than the concentration risk on loan receivables, the Group does not have any other significant concentration of credit risk. The loan receivables, which are due from 3 (2010: 5) borrowers. The directors of the Company individually assess the recoverability of the loan receivables at least on an annual basis.

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

Liquidity risk

In the management of the 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.

During the year ended 31 March 2011, the Group was unable to redeem CB1 which had matured on 18 May 2010. Subsequent to the CB1 maturity date, the Company reached an understanding with the major holder of CB1 to conditionally postpone the payment by the Company of the outstanding debts of CB1 for three years if the Group can fulfill the conditions requested by the major holder of CB1, which is a successful injection of substantial external resources into the Group, in short.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2011			
Non-derivative financial liabilities			
Trade payables	**92**	**92**	**92**
Other payables and accrued expenses	**34,978**	**34,978**	**34,978**
Amounts due to directors	**545**	**545**	**545**
Liability component of convertible bonds	**46,640**	**46,640**	**45,188**
Liability component of redeemable convertible cumulative preference shares	**213,711**	**213,711**	**180,755**
	295,966	**295,966**	**261,558**
Derivative – gross settlement			
Derivate component of redeemable convertible cumulative preference shares	**121,577**	**121,577**	**121,577**

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Less than 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 31 March 2010			
Non-derivative financial liabilities			
Trade payables	2,070	2,070	2,070
Other payables and accrued expenses	33,361	33,361	33,361
Amounts due to directors	5,188	5,188	5,188
Liability component of convertible bonds	54,562	54,562	52,147
Liability component of redeemable convertible cumulative preference shares	294,477	294,477	176,820
Secured bank loans	34,511	34,511	34,200
	424,169	424,169	303,786
Derivative – gross settlement			
Derivate component of convertible bonds	6,046	6,046	6,046
Derivate component of redeemable convertible cumulative preference shares	6,239	6,239	6,239
	12,285	12,285	12,285

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2011				
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**121,577**	**–**	**121,577**

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2010				
Financial liabilities at FVTPL				
Derivative financial liabilities	–	12,285	–	12,285

There were no transfers between Level 1 and 2 during the year ended 31 March 2011 and 2010.

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

The Group has involved in B-to-B healthcare services and sales of medical devices and consumables, which were reported as separate operating segments. Those operations were discontinued with effect from 31 July 2010. The information reported on the following does not include any amounts for the discontinued operations which are described in more detail in note 14.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

The Group's operating and reportable segments under HKFRS 8 which are based on the nature of business are as follows:

– Sales of medical devices and consumables

– B-to-C consumer services

– Investment holding

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 March 2011

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
REVENUE				
External sales	20,836	57,606	–	78,442
Segment results	4,130	21,803	–	25,933
Unallocated corporate income				
– Interest income				743
– Other income				3,700
Unallocated corporate expenses				
– Finance costs				(102,603)
– Impairment loss recognised in respect of trade and other receivables				(3,017)
– Gain on recalculation of liability component of redeemable convertible cumulative preference shares				95,227
– Fair value loss on derivative component of convertible bonds				(13,211)
– Fair value loss on derivative component of redeemable convertible cumulative preference shares				(115,338)
– Impairment loss on goodwill				(25,012)
– Other expenses				(47,460)
Loss before tax (continuing operation)				(181,038)

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

For the year ended 31 March 2010

	Sales of medical devices and consumables	B-to-C consumer services	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	13,114	2,756,646	–	2,769,760
Segment results	(2,328)	(10,554)	–	(12,882)
Unallocated corporate income				
– Interest income				722
– Other income				1,772
Unallocated corporate expenses				
– Finance costs				(63,878)
– Gain on disposal of financial assets at fair value through profit or loss				108
– Gain on disposal of subsidiaries				2,533
– Gain on deemed disposal of a subsidiary				56
– Fair value loss on derivative component of convertible bonds				(6,040)
– Fair value gain on derivative component of redeemable convertible cumulative preference shares				18,871
– Other expenses				(36,514)
Loss before tax (continuing operation)				(95,252)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss from each segment without allocation of central administration costs, directors emoluments, other income, interest income, gain on disposal of financial assets at fair value through profit or loss, fair value loss/gain on derivative component of convertible bonds, impairment loss on goodwill, impairment loss recognized in respect of trade and other receivables, fair value gain on derivative component of redeemable convertible cumulative preference shares, finance costs, gain on deemed disposal of a subsidiary and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 March 2011

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Continuing operations				
Segment assets	10,695	81,769	–	92,464
Unallocated corporate assets				
– Restricted bank balances				100,173
– Bank balances and cash				71,998
– Other corporate assets				24,517
Consolidated total assets				289,152
Continuing Operations				
Segment liabilities	3,453	17,262	–	20,715
Unallocated corporate liabilities				
– Amounts due to directors				545
– Derivative component of redeemable convertible cumulative preference shares				121,577
– Liability component of convertible bonds				45,188
– Liability component of redeemable convertible cumulative preference shares				180,755
– Deferred tax liabilities				336
Other payables and liabilities				17,851
Consolidated total liabilities				386,967

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

At 31 March 2010

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
ASSETS				
Segment assets	8,802	63,255	–	72,057
Assets relating to discontinued operation				37,420
Unallocated corporate assets				
– Restricted bank balances				153,894
– Bank balances and cash				20,241
– Other corporate assets				11,280
Consolidated assets				294,892
LIABILITIES				
Segment liabilities	2,926	13,711	–	16,637
Liabilities relating to discontinued operation				4,931
Unallocated corporate liabilities				
– Amounts due to directors				5,188
– Derivative component of convertible bond				6,046
– Derivative component of redeemable convertible cumulative preference shares				6,239
– Liability component of convertible bonds				52,147
– Liability component of redeemable convertible cumulative preference shares				176,820
– Secured bank loans				34,200
– Deferred tax liabilities				423
– Other payables and liabilities				14,079
Consolidated liabilities				316,710

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than restricted bank balances, bank balances and cash and other corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to directors, derivative component of convertible bonds, derivative component of redeemable convertible cumulative preference shares, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, secured bank loans, deferred tax liabilities and other payables and liabilities.

(c) Other segment information

For the year ended 31 March 2011 (Continuing operations)

	Sales of medical devices and consumables	B-to-C consumer services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(Note)*	31	1,016	3,665	4,712
Amortisation	–	579	–	579
Depreciation	220	229	2,747	3,196
Interest income	5	243	495	743
Finance costs	–	146	102,457	102,603
Income tax expense	177	3,197	–	3,374

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2010

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(Note)*	–	358	1,492	1,850
Amortisation	–	314	–	314
Depreciation	284	1,335	1,279	2,898
Amounts regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:				
Interest income	–	234	491	725
Finance costs	–	641	63,237	63,878
Income tax expense	95	291	–	386

Note: Non-current assets excluded goodwill. Additions to non-current assets for the year ended 31 March 2010 included additions resulting from acquisition through business combinations, amounting to HK$53,000 (2011: Nil).

(d) Geographical information

For the year ended 31 March 2011 and 2010, the Group's operations and its non-current assets are principally located in PRC (the country of domicile), mainly including Shanghai, Beijing, Guangdong, Nanjing and Hong Kong. Accordingly, no geographical segment information is presented.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

8. SEGMENT INFORMATION *(Continued)*

(e) Information about major customers

Revenue from major customers of the year ended 31 March 2011 contributing over 10% of the total sales of the Group amounted to approximately HK$35,098,000 and HK$13,715,000 (2010: HK$526,583,000). Such revenue was from the segment of B-to-C consumer service.

9. REVENUE

An analysis of the Group's revenue for the year from continuing operation which represents sales of medical devices and consumables, revenue from B-to-C consumer services and commission income from B-to-C consumer services is as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Sales of medical devices and consumables	**20,836**	13,114
Revenue from B-to-C consumer services	**–**	2,756,646
Commission income from B-to-C consumer services	**57,606**	–
	78,442	2,769,760

For the year ended 31 March 2010, the revenue from B-to-C consumer services was recognised from the sale of mobile pre-charge. On 1 April 2010, the subsidiaries of the Company entered into consignment agreements to replace the previously signed agreements. In the consignment agreements with effect from 1 April 2010, the subsidiaries of the Company are entitled to act as agents of consignors to distribute the mobile pre-charge and receive the commission income in return.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

10. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest income	**743**	725
Government grants *(Note)*	**1,178**	–
Dividend income	**–**	3
Rental income from medical devices	**–**	57
Exchange gains	**3**	482
Sales of consumables	**346**	153
Services income	**743**	353
Consultancy income	**291**	–
Others	**1,139**	721
	4,443	2,494

Note: Government grants represent subsidies to foreign owned enterprises as awards for investing in the PRC. They were determined at the sole discretion of the relevant PRC government.

11. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interests on bank loans wholly repayable within five years	**297**	641
Effective interest expenses on convertible bonds wholly repayable within five years	**3,758**	5,272
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**98,548**	57,965
	102,603	63,878

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

12. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operation		
Current tax – PRC		
Provision for the year	**3,461**	386
Underprovision in prior years	**(87)**	–
	3,374	386

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC reduced from 33% to 25% from 1 January 2008 onwards except the Enterprise Income Tax rate of certain subsidiaries of the Group was increased from 15% to 25% progressively from 1 January 2008 onwards (2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012: 25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% for the year ended 31 March 2011 (2010: 18% to 25%).

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss before tax (from continuing operations)	**181,038**	(95,252)
Tax at the domestic income tax rate in the PRC of 25%	**(45,260)**	(23,813)
Tax effect of expenses not deductible for tax purpose	**22,792**	30,428
Tax effect of income not taxable for tax purpose	**(7,613)**	(8,478)
Tax effect of tax losses not recognised	**754**	1,989
Tax effect of other deductible temporary difference not recognised	**869**	891
Tax effect of other deductible temporary difference recognised	**(87)**	–
Utilisation of tax losses not previously recognised	**(593)**	(427)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**32,512**	(204)
Income tax expense (relating to continuing operations)	**3,374**	386

Details of deferred tax are set out in note 34.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2011	2010
	HK$'000	*HK$'000*
Loss for the year from continuing operations had been arrived at after charging (crediting):		
Amortisation of other intangible assets included in administrative expenses	**579**	314
Auditor's remuneration	**1,291**	714
Cost of inventories recognised as expenses	**41,435**	2,743,911
Depreciation	**3,196**	2,898
Fair value loss on derivative component of convertible bonds	**13,211**	6,040
Fair value loss on derivative component of preference shares	**115,338**	–
(Gain) loss on recalculation of liability component of redeemable convertible cumulative preference shares	**(95,227)**	18,194
Net exchange losses	**71**	–
Impairment loss recognised in respect of trade and other receivables	**3,017**	3,717
Impairment loss recognised in respect of obsolete inventories	**980**	–
Impairment loss on goodwill	**25,012**	–
Loss on written off of interest in an associate	**–**	1
Loss on disposal of/written off of property, plant and equipment	**2,037**	564
Loss on written off of other intangible assets	**173**	–
Operating leases payments in respect of land and buildings	**1,600**	2,462
Research and development expenditure	**251**	95
Share options granted	**2,898**	–
Staff costs (including directors' remuneration)		
– Salaries and allowances	**13,711**	10,851
– Retirement benefit scheme contributions	**4,638**	1,277
	18,349	12,128

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

14. DISCONTINUED OPERATIONS

On 31 July 2010, the Company entered into a sale agreement to dispose of Junghua Enterprises Holdings Limited, CHC (Shanghai) Medical & Healthcare Services Limited and Beijing Weichang Medical Clinic Company Limited (collectively referred to as the "B-to-B Group"), which carried out all of the Group's B-to-B healthcare services operations. The disposal was effected in order to focus the resources on the Group's other business. The disposal was completed on 31 July 2010, on which date control of the B-to-B Group passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 39.

The profit (loss) for the year from discontinued operations is analysed as follows:

	Year ended 31/3/2011	Year ended 31/3/2010
	HK$'000	*HK$'000*
Profit (loss) of the B-to-B healthcare services business	**890**	(3,173)
Gain on disposal of B-to-B healthcare services business *(Note 39)*	**1,387**	–
Profit (loss) for the year from discontinued operations	**2,277**	(3,173)

The results of the B-to-B healthcare services operations for the period from 1 April 2010 to 31 July 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 31/7/2010	Year ended 31/3/2010
	HK$'000	*HK$'000*
Revenue	**3,109**	6,653
Cost of sales	**(105)**	(613)
Other income	**2,761**	70
Distribution expenses	**(1,208)**	(3,854)
Administrative expenses	**(3,667)**	(5,429)
Profit (loss) before tax	**890**	(3,173)
Income tax expenses	**–**	–
Profit (loss) for the period/year	**890**	(3,173)

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

14. DISCONTINUED OPERATIONS *(Continued)*

Loss for the year from discontinued operations had been arrived at after charging (crediting):

	Period ended 31/7/2010	Year ended 31/3/2010
	HK$'000	*HK$'000*
Auditor's remuneration	**–**	–
Cost of inventories recognised as expenses	**105**	613
Depreciation	**758**	1,536
Impairment loss on goodwill	**–**	–
Impairment loss recognised in respect of obsolete inventories	**22**	1
Operating leases payments in respect of land and buildings	**190**	497
Staff costs (including directors' remuneration)		
– Salaries and allowances	**838**	2,964
– Retirement benefit scheme contributions	**224**	780
	1,062	3,744

During the year, the B-to-B Group contributed HK$4,795,000 (2010: HK$630,000) to the Group's net operating cash flows, contributed HK$Nil (2010: HK$3,000) in respect of investing activities and no cash generated from financing activities (2010: HK$Nil).

The carrying amounts of the assets and liabilities of the B-to-B Group at the date of disposal are disclosed in note 39.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the 6 (2010: 7) directors were as follows:

Year ended 31 March 2011

Name	Directors' fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Li Zhong Yuan	–	2,067	12	2,079
Mr. Zhou Bao Yi	–	511	–	511
Non-executive director				
Mr. Martin Treffer	–	–	–	–
Independent non-executive directors				
Mr. Mu Xiang Ming	100	–	–	100
Dr. Yan Shi Yun	100	–	–	100
Mr. Jiang Bo	100	–	–	100
Total	300	2,578	12	2,890

Year ended 31 March 2010

Name	Directors' fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Li Zhong Yuan	–	2,040	12	2,052
Mr. Lee Jong Dae *(Note)*	–	417	5	422
Mr. Zhou Bao Yi	–	501	–	501
Non-executive director				
Mr. Martin Treffer	–	–	–	–
Independent non-executive directors				
Mr. Mu Xiang Ming	114	–	–	114
Dr. Yan Shi Yun	114	–	–	114
Mr. Jiang Bo	114	–	–	114
Total	342	2,958	17	3,317

Note: resigned on 25 August 2009.

No director had waived any emoluments during the two years ended 31 March 2011 and 2010.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are presented above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**1,596**	1,363
Contributions to retirement benefit schemes	**75**	59
	1,671	1,422

The emoluments were within the following bands:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**4**	3

No emoluments have been paid or payable by the Group to any of 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 during the two years ended 31 March 2011 and 2010.

16. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

17. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

Loss

	2011 HK$'000	2010 HK$'000
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(208,216)**	(89,695)

Number of shares	**2011**	2010
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**357,769,137**	236,113,873

From continuing operations

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

	2011 HK$'000	2010 HK$'000
Loss for the purpose of basic loss per share from continuing operations		
Loss for the year from continuing operations attributable to the owners of the Company	**(210,493)**	(86,522)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.01 per share (2010: HK$0.01 loss per share), based on the profit for the year attributable to owners of the Company from discontinued operations of HK$2,277,000 (2010: HK$3,173,000 loss) and the denominators detailed above for basic and diluted loss per share.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2009	3,899	9,343	9,030	1,396	295	23,963
Exchange realignment	12	34	28	4	1	79
Additions	–	–	1,421	140	289	1,850
Acquired on acquisition of a subsidiary	–	–	53	–	–	53
Disposals/written off	(453)	–	(1,165)	(259)	–	(1,877)
Reclassification	–	–	501	–	(501)	–
Transfer from inventories	–	731	–	–	–	731
Disposal of subsidiaries	–	–	(117)	–	–	(117)
At 31 March 2010 and 1 April 2010	3,458	10,108	9,751	1,281	84	24,682
Exchange realignment	141	829	324	42	(1)	1,335
Additions	543	579	2,496	621	473	4,712
Disposals/written off	(996)	(5,036)	(3,779)	(768)	–	(10,579)
Disposal of subsidiaries	(2,878)	(5,111)	(1,828)	–	–	(9,817)
At 31 March 2011	268	1,369	6,964	1,176	556	10,333
ACCUMULATED DEPRECIATION						
At 1 April 2009	2,353	4,889	5,443	403	–	13,088
Exchange realignment	8	19	17	1	–	45
Provided for the year	968	1,384	1,801	281	–	4,434
Elimination on disposals/written off	(426)	–	(628)	(259)	–	(1,313)
Disposal of subsidiaries	–	–	(54)	–	–	(54)
At 31 March 2010 and 1 April 2010	2,903	6,292	6,579	426	–	16,200
Exchange realignment	121	283	235	20	–	659
Provided for the year	376	1,850	1,464	264	–	3,954
Elimination on disposals/written off	(395)	(3,353)	(2,965)	(171)	–	(6,884)
Disposal of subsidiaries	(2,878)	(4,239)	(1,513)	–	–	(8,630)
At 31 March 2011	127	833	3,800	539	–	5,299
CARRYING VALUES						
At 31 March 2011	141	536	3,164	637	556	5,034
At 31 March 2010	555	3,816	3,172	855	84	8,482

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

19. GOODWILL

	HK$'000
COST	
At 1 April 2009	43,533
Exchange realignment	100
Arising on acquisition of a subsidiary	1,152
Released on deemed disposal of a subsidiary	(30)
At 31 March 2010 and 1 April 2010	44,755
Exchange realignment	1,817
Eliminated on disposal of a subsidiary	(19,959)
At 31 March 2011	26,613
ACCUMULATED IMPAIRMENT	
At 1 April 2009, 31 March 2010 and 1 April 2010	12,173
Exchange realignment	492
Impairment loss recognised	25,012
Eliminated on disposal of a subsidiary	(11,064)
At 31 March 2011	26,613
CARRYING VALUES	
At 31 March 2011	–
At 31 March 2010	32,582

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

19. GOODWILL *(Continued)*

On 20 December 2009, the Group acquired 100% equity interests in Nanjing Wangchi Technology Company Limited ("Nanjing Wangchi") and goodwill of approximately HK$1,152,000 was recognised upon acquisition. Details are set out in note 38.

On 31 July 2009, additional 0.05% equity interests was contributed by the non-controlling interests in Harvest Network Limited ("Harvest Network") and goodwill approximately HK$30,000 was released. Details are set out in note 40.

For the purposes of impairment testing, goodwill set out above have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill as at 31 March 2011 allocated to these units are as follows:

	2011	2010
	HK$'000	*HK$'000*
B-to-B healthcare services:		
Beijing Universal Medical Assistance Co., Ltd. ("BUMA")	–	8,567
B-to-C consumer services:		
Shanghai Harvest Network Technology Co. Limited and its subsidiaries ("Harvest Group")	–	22,863
Nanjing Wangchi	–	1,152
	–	32,582

During the two years ended 31 March 2011, full impairments of all of its CGUs containing goodwill was recognised (2010: Nil).

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

19. GOODWILL *(Continued)*

B-to-B healthcare services

BUMA

BUMA was disposed on 31 July 2010. The goodwill related to BUMA was eliminated in the disposal.

The recoverable amount of this unit for the year ended 31 March 2010 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 20% per annum. BUMA's cash flows beyond the 5-year period are extrapolated using an average 26% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 90%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of BUMA to exceed the aggregate recoverable amount of BUMA.

B-to-C consumer services

Harvest Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 20% (2010: 20%) per annum. Harvest Group's cash flows beyond the 5-year period are extrapolated using an average 4% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 0.61%. Such estimation is based on the unit's past performance and management's expectations for the market development. Due to the unfavourable sales performance of existing products, the Group recognised an impairment loss of approximately of HK$23,812,000 in the current year in relation to goodwill of Harvest Group.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

19. GOODWILL *(Continued)*

B-to-C consumer services *(Continued)*

Nanjing Wangchi

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 22% (2010: 20%) per annum. Nanjing Wangchi's cash flows beyond the 5-year period are extrapolated using an average 28% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 94%. Such estimation is based on the unit's past performance and management's expectations for the market development. Due to the unfavourable sales performance of existing services, the Group recognised an impairment loss of approximately of HK$1,200,000 in the current year in relation to goodwill of Nanjing Wangchi.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

20. OTHER INTANGIBLE ASSETS

	Computer software
	HK$'000
COST	
At 1 April 2009	1,229
Acquired on acquisition of a subsidiary	1,695
Exchange realignment	11
At 31 March 2010 and 1 April 2010	2,935
Disposal	(1,284)
Exchange realignment	121
At 31 March 2011	1,772
AMORTISATION	
At 1 April 2009	607
Exchange realignment	2
Charge for the year	314
At 31 March 2010 and 1 April 2010	923
Exchange realignment	52
Charge for the year	579
Disposal	(1,111)
At 31 March 2011	443
CARRYING VALUES	
At 31 March 2011	1,329
At 31 March 2010	2,012

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

During the year ended 31 March 2010, there is self-developed software program acquired on acquisition of a subsidiary at fair value amount to approximately HK$1,695,000.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

21. PREPAYMENT FOR ACQUISITION OF NON-CURRENT ASSETS

	2011	2010
	HK$'000	*HK$'000*
Cost	**6,889**	6,889
Exchange realignment	**472**	179
Less: impairment loss recognised	**(7,361)**	(7,068)
	–	–

Movement in the impairment loss on prepayment for acquisition of non-current assets:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**7,068**	7,045
Exchange realignment	**293**	23
At 31 March	**7,361**	7,068

The amount represented the payment for the acquisition of equity interests in 北京維深信業科技發展有限公司("北京維深"), a company established in the PRC engaged in development of e-healthcare service network in women and children.

22. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**370**	195
Finished goods	**2,600**	22,529
	2,970	22,724

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

23. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**20,727**	47,622
Less: allowance for doubtful debts	**(280)**	(9,020)
	20,447	38,602

The normal credit period granted to customers of the E-distribution of mobile pre-charge etc. is 3 to 7 days. The credit terms granted to other customers generally ranged from 10 to 90 days.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**5,222**	34,406
31 to 60 days	**342**	515
61 to 90 days	**11,251**	929
91 to 120 days	**573**	546
Over 120 days	**3,059**	2,206
Total	**20,447**	38,602

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK$3,632,000 (31 March 2010: HK$2,873,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

23. TRADE RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**–**	368
91 to 120 days	**573**	299
Over 120 days	**3,059**	2,206
	3,632	2,873

Trade receivables that were past due but not impaired were related to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**9,020**	8,865
Exchange realignment	**394**	26
Written off	**(9,062)**	–
Disposal of subsidiaries	**(72)**	–
Impairment loss recognised	**–**	129
At 31 March	**280**	9,020

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$280,000 (2010: HK$9,020,000). The individually impaired receivables related to customers who were in financial difficulties. The Group did not hold any collateral over these balances. The factors considered by management in determining the allowance are described in note 5.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

23. TRADE RECEIVABLES *(Continued)*

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

	2011 *HK$'000*	2010 *HK$'000*
RMB	**20,186**	36,342
US$	**261**	2,260
	20,447	38,602

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 *HK$'000*	2010 *HK$'000*
Other receivables	**85,030**	22,182
Less: impairment loss recognised	**(12,563)**	(11,551)
Prepayments and deposits	**14,734**	5,724
	87,201	16,355

At the end of each reporting period, the Group's other receivables were individually determined to be impaired. The individually impaired other receivables are recognised based on the credit history, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The Group did not hold any collateral over these balances. The factors considered by management in determining the impairment are described in note 5.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

Movement in the impairment loss on other receivables:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**11,551**	7,964
Written off	**(2,005)**	–
Impairment loss recognised	**3,017**	3,587
At 31 March	**12,563**	11,551

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**63,149**	10,984
HK$	**21,714**	1,802
US$	**2,338**	2,459
Euro	**–**	1,110
	87,201	16,355

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

25. LOAN RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Secured term loans	**27,051**	27,051
Less: Written off	**(6,000)**	–
	21,051	27,051
Unsecured term loans	**12,913**	12,913
Less: Written off	**(12,289)**	–
	624	12,913
Sub-total	**21,675**	39,964
Less: Impairment loss recognised	**(21,675)**	(39,964)
	–	–

The movement in the impairment loss on loan receivables:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**39,964**	39,935
Written off	**(18,289)**	–
Exchange realignment	**–**	29
At 31 March	**21,675**	39,964

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

25. LOAN RECEIVABLES *(Continued)*

Notes:

Secured term loans

Included in loan receivables are secured term loans of approximately HK$21,051,000 represented a loan receivable with principal amount of US$2,700,000 secured by, as collateral, a pledge of the 100% equity interest in Hamilton Apex Technology Ventures, L.P. owned by the borrower. Full impairment on the loan receivable had been made in previous years.

Also included in loan receivables are secured term loans of HK$6,000,000 secured by, as collateral, a pledge of the 80% equity interest in Smart Business Enterprises Limited owned by the borrower. The loans were originally due for repayment in 2005. During the year of 31 March 2011, the collateral which insignificant value is received to settle full amount of loan, thus the loan receivables is written off.

The loans were made to independent third parties and were originally repayable within one year; however, due to default in payment, the loan receivables had become repayable on demand. The interest rates of the loan receivables were as follows:

	2011	2010
Secured term loans	**5.5% – 5.75%**	5.5% – 5.75%
Unsecured term loans	**5% – 8%**	5% – 8%

26. RESTRICTED BANK BALANCES

The restricted bank balances amount of HK$100,173,000 (2010: HK$111,458,000) represented the balances which are subject to restrictions pursuant to the subscription agreement signed by Harvest Network and subscribers of the non-redeemable convertible preference shares of Harvest Network. The remaining balance of restricted bank balances as at 31 March 2010 of HK$42,436,000 (2010: Nil) was pledged to bank to secure bank loan repayable within one year. The restricted bank balances carry interest at market rates ranged from 0.36% to 0.4% (2010: 0.36% to 1.35%) per annum.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

26. RESTRICTED BANK BALANCES *(Continued)*

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**68,795**	58,863
HK$	**95**	98
US$	**31,283**	94,933
	100,173	153,894

27. BANK BALANCES AND CASH

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**55,532**	12,906
HK$	**14,430**	1,690
US$	**1,654**	5,524
Euro	**382**	121
	71,998	20,241

Conversion of RMB denominated balances into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Bank balances carry interest at market rates which ranged from 0.01% to 0.04% (2010: 0.36% to 1.35%) per annum.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

28. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the date of receipt of goods at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**84**	1,189
31 to 60 days	**–**	240
61 to 90 days	**–**	64
91 to 120 days	**–**	174
Over 120 days	**8**	403
Total	**92**	2,070

The average credit period on purchases of goods ranged from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**92**	960
HK$	**–**	1,110
	92	2,070

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

29. OTHER PAYABLES AND ACCRUED EXPENSES

	2011	2010
	HK$'000	*HK$'000*
Deposit received	**7,011**	4,687
Receipt in advance	**1,291**	8,962
Payable for acquisition of a subsidiary *(Note 38)*	**–**	2,394
Others	**26,676**	17,318
	34,978	33,361

Deposits received represented deposits for the point-of-sale ("POS") terminals placed at the network of retail outlets for the facilitation of the Group's B-to-C consumer services.

Payable for acquisition of a subsidiary represented the consideration payable to independent third party regarding the acquisition of a subsidiary, details of the acquisition are stated in note 38.

The carrying amounts of the Group's other payables and accrued expenses are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**15,484**	20,370
HK$	**19,123**	11,881
US$	**371**	–
Euro	**–**	1,110
	34,978	33,361

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

30. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

31. CONVERTIBLE BONDS

	2011	2010
	HK$'000	*HK$'000*
Liability component of convertible bonds		
Convertible bonds issued with equity component *(Note a)*	**45,188**	44,320
Convertible bonds issued with derivative component *(Note b)*	**–**	7,827
	45,188	52,147
Derivative component of convertible bonds *(Note b)*	**–**	6,046

The liability component of the convertible bonds is repayable on demand.

Notes:

(a) **Unsubordinated convertible bonds contains liability and equity components**

On 19 May 2005, the Company issued CB1 with a nominal value of US$6,600,000 due on 18 May 2009. CB1 carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. 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 Consolidated Financial Statements

(For the year ended 31 March 2011)

31. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(a) Unsubordinated convertible bonds contains liability and equity components *(Continued)*

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

	2011	2010
	HK$'000	*HK$'000*
Carrying amount at 1 April	**44,320**	42,943
Exchange realignment	**(2)**	–
Interest charged for the year	**1,450**	1,377
Interest paid for the year	**–**	–
Repurchase during the year	**(580)**	–
Carrying amount at 31 March	**45,188**	44,320

The effective interest rate of the liability component of CB1 is 5.135% per annum.

In June 2007, the Group agreed to repurchase CB1 with principal amount of approximately US$820,000 (equivalent to approximately HK$6,324,000) at a consideration of approximately US$410,000 (equivalent to approximately HK$3,198,000) and the settlement took place on 21 June 2007.

In August 2008, the Group agreed to repurchase CB1 with principal amount of approximately US$320,000 (equivalent to approximately HK$2,468,000) at a consideration of approximately US$128,000 (equivalent to approximately HK$998,400) and the settlement took place on 29 October 2008.

In November 2010, the Group agreed to repurchase CB1 with principal amount of approximately US$70,000 (equivalent to approximately HK$580,000) at a consideration of approximately HK$622,400 and the settlement took place on 15 November 2010.

On 18 May 2009, CB1 had matured, however, due to liquidity problem, the Group was unable to redeem CB1 at maturity. The Group's default in the redemption on the convertible bonds had triggered the Company's early redemption obligation of the convertible bonds and the redeemable convertible cumulative preference shares. Subsequent to the maturity date of CB1, the Company reached an understanding with the major holder of CB1 to conditionally postpone the payment by the Company of the outstanding debts of CB1 for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB1, which is a successful injection of substantial external resources into the Group, in short, and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB1 upon and after successful injection of substantial external resources.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

31. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Unsubordinated convertible bonds contains liability and derivative components

On 1 June 2008, the Company issued CB3 with a nominal value of HK$20,000,000 due on 1 June 2011. CB3 carries interests at 2% per annum payable semi-annually in arrears with the first interest payment due on 1 December 2008 and the last interest payment due on 1 June 2011. During the period from 1 June 2008 to 1 June 2011, CB3 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 per share. The conversion price was adjusted to HK$0.3201 per share (subject to adjustment) due to new ordinary shares of the Company were issued at HK$0.3201 per share on 7 May 2010; and

(ii) 0.9 times 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 CB3 remain outstanding on the maturity date or the volume-weighted average price of the ordinary shares of the Company for the twenty trading days (the "Share Price") is ever at or below HK$0.30 (the "Threshold"), the Company will be required to redeem the principal of CB3 at 100% of their face value on the demand of the holder(s) of the CB3. Summaries are disclosed in the Company's circular dated 30 April 2008 and details are contained in the instrument of the CB3 issued by the Company on 1 June 2008. Since the Share Price triggered the Threshold in the year ended 31 March 2009, the holder of the CB3 has the right to ask the Company to redeem the CB3 on demand, and relevant disclosure was made in the Company's announcement dated 31 March 2009. Accordingly, CB3 had been reclassified to current liabilities since year ended 31 March 2009.

The fair value of the derivative component, representing the conversion right entitled to the holders of CB3, was estimated at the issuance and the end of each reporting period using Binomial Model and the change in fair value of that component is recognised in profit or loss.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

31. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Unsubordinated convertible bonds contains liability and derivative components *(Continued)*

The net proceeds received from the issue of CB3 have been split between the liability component and derivative component as follows:

	2011	2010
	HK$'000	*HK$'000*
Liability component		
At 1 April	**7,827**	10,416
Interest charged for the year	**2,308**	3,895
Reclassify unpaid interests to other payables	**(1,938)**	–
Conversion during the year *(Note)*	**(8,197)**	(6,484)
At 31 March	**–**	7,827

	2011	2010
	HK$'000	*HK$'000*
Derivative component		
At 1 April	**6,046**	5,220
Fair value loss	**13,211**	6,040
Conversion during the year	**(19,257)**	(5,214)
At 31 March	**–**	6,046

Note: During the year ended 31 March 2010, the holders of CB3 have exercised the conversion right to convert the convertible bonds 32,341,552 new into ordinary shares in two conversions in August 2010 and one conversion on 24 November 2010. As the directors of the Company consider the fluctuation of the market share price of the shares of the Company during August 2010 is immaterial, therefore, valuations dated on 31 August 2010 and 24 November 2010 were adopted as basis for the purpose of calculating the conversion of ordinary shares. The fair value of the derivative component at 31 August 2010 and 24 November 2010 was revalued based on the valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group.

31. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) Unsubordinated convertible bonds contains liability and derivative components *(Continued)*

Note: (Continued)

For the year ended 31 March 2010, the holders of CB3 had exercised the conversion right to convert the convertible bonds into 27,654,000 new ordinary shares in four conversions in March 2010. As the directors of the Company consider the fluctuation of the market share price of the shares of the Company during the above period is immaterial, therefore, valuation date 28 February 2010 was adopted as basis for the purpose of calculating the conversion of ordinary shares. The fair value of the derivative component at 28 February 2010 was revalued based on the valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group.

The effective interest rate of the liability component of CB3 is 41.025% per annum for the year ended 31 March 2011 and 2010.

The derivative component of CB3 was revalued at 24 November 2010, 31 August 2010, 31 March 2010 and 28 February 2010 based on valuations by Avista Valuation Advisory Limited, independent qualified valuers not connected to the Group, determined using Binomial Model. The significant inputs to the models were as follows:

	24 November 2010	31 August 2010	31 March 2010	28 February 2010
Share price of underlying shares	HK$0.90	HK$0.85	HK$0.41	HK$0.46
Exercise price	HK$0.3201	HK$0.3201	HK$0.35	HK$0.41
Expected volatility	69.5%	72.4%	108.2%	118.6%
Expected life	0.5 year	0.75 years	1.17 years	1.25 years
Risk-free rate	0.280%	0.240%	0.302%	0.312%
Expected dividend yield	Nil	Nil	Nil	Nil

Subordinated convertible notes of RMB13,275,000

On 5 April 2010, the Company issued subordinated convertible notes with a nominal value of RMB13,275,000 (equivalent to HK$15,000,000) due on 4 April 2011 ("SCN1"). SCN1 carries zero coupon rate and entitles the holder to convert the notes into 46,860,356 new ordinary shares of the Company, which fixed the conversion price at RMB0.2832885 (equivalent to HK$0.3201) per share, during the period before the maturity date. If SCN1 remain outstanding on the maturity date, the Company will redeem the principal amount of SCN1 at 100% by issuance of new ordinary shares of the Company at RMB0.2832885 per share.

SCN1 was classified as equity and recorded in the convertible bonds reserve. SCN1 ranked subordinated to existing convertible bonds.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

31. CONVERTIBLE BONDS *(Continued)*

Notes: (Continued)

(b) **Unsubordinated convertible bonds contains liability and derivative components** *(Continued)*

Subordinated convertible notes of RMB13,275,000 *(Continued)*

During the year ended 31 March 2011, the holders of SCN1 have converted the SCN1 into new ordinary shares of the Company.

Subordinated convertible notes of RMB44,250,000

On 5 April 2010, the Company entered into a subscription agreement with subscribers to issue subordinated convertible notes with a nominal value of RMB44,250,000 (equivalent to HK$50,000,000) due on one year after the date of issuance ("SCN2"). SCN2 carries zero coupon rate and entitles the holder to convert the notes into 156,201,187 new ordinary shares of the Company, which fixed the conversion price of RMB0.2832885 (equivalent to HK$0.3201) per share, within one year after the date of issuance. If SCN2 remain outstanding on the maturity date, the Company will redeem the principal amount of SCN2 at 100% by issuance of new ordinary shares of the Company at RMB0.2832885 per share. The subscribers subscribed for the SCN2 in the total amount of RMB44,250,000 in aggregate during the year ended 31 March 2011.

SCN2 was classified as equity and recorded in the convertible bonds reserve. SCN2 ranked subordinated to existing convertible bonds.

During the year ended 31 March 2011, the holders of SCN2 have converted the SCN2 into new ordinary shares of the Company.

32. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

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

(a) the initial conversion price, subject to adjustment, of HK$1.16 per share. The conversion price was adjusted to HK$0.3201 per share (subject to adjustment) due to new ordinary shares of the Company were issued at HK$0.3201 per share on 7 May 2010; and

(b) 0.9 times 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.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

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

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 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.

Special events included:

(i) any consolidation, amalgamation or merger of the Company with any other corporation which results in the Company ceasing to exist as an independent legal entity or any sale of all or substantially all of the assets of the Company or any reorganisation or any other transaction where there is or which will result in a change in control (as defined in the Takeovers Code) of the control of the Company;

(ii) material default by the Company or any of its subsidiaries in the performance, observance or fulfilment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which any of them is a party and, if such default is capable of being remedied, fails to remedy such default within 10 days of being required in writing to do so by any of the holder to the preference shares ("Preference Shareholders");

(iii) the persons who are directors on the issue date or persons appointed to act as directors in their stead (the "Replacement Directors"), with the approval of all of the other persons who are acting as directors at the time of appointment of the Replacement Directors, cease to represent a majority in number of the persons acting as directors at the relevant time;

(iv) the acceleration of the maturity of any other present or future indebtedness of the Company or any of its subsidiaries exceeding US$1,500,000 in aggregate principal amount outstanding (or its equivalent in any other currency) by reason of an event of default (as described and specified therein) or any such indebtedness exceeding US$1,500,000 (or its equivalent in any other currency) is not paid within any applicable grace period provided for or, if none, on the due date therefore;

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

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

(v) a Directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets;

(vi) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets; a petition is presented or a proceeding is commenced for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a substantial part of its business or assets and is not discharged within 5 days; if the Company stops or suspends payments to its creditors generally or is unable to admits its inability to pay its debts as they fall due or seeks to enter into any composition or other arrangement with its creditors or is declared or becomes bankrupt or insolvent; or if a creditor takes possession of all or a material part of the business or assets of the Company or any execution or other legal process is enforced against the business or any substantial asset of the Company and is not discharged within 5 days;

(vii) the listing or trading of the ordinary share on the Stock Exchange (or any stock exchange other than the Hong Kong Stock Exchange on which the ordinary shares, if not then listed on the Hong Kong Stock Exchange, are listed, (the "Alternative Stock Exchange"), as the case may be) is revoked, withdrawn or suspended for a continuous period of 15 trading days;

(viii) material breach by the Company of any of its representations, warranties, covenants or undertakings in the agreement and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders;

(ix) material breach by the Company of any of the covenants or undertakings as set forth in Bye-law 9A(12) and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders; or

(x) the auditors of the Company issue a qualified opinion in respect of any audit report of the Company.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

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

As mentioned in note 31 above, the Group was unable to redeem CB1 which had been matured on 18 May 2009, the Company was in breach of the special event as mentioned in note (ii) above. The Company also breached the special event in note (x) above as the auditor's opinion of the Group was disclaimed since the year ended 31 March 2009. It triggered the Company's early redemption obligation of the PS. Accordingly, the PS had been reclassified to current liabilities since the year ended 31 March 2010. For the year ended 31 March 2011, the PS holder have signed a consent letter to agree a maturity extension to 17 May 2013 with all other terms and conditions of the PS being retained unchanged and to a standstill of redemption rights under the PS before the extended maturity date of PS as long as the Group is pursuing viable opportunities of asset injection; and that upon the completion of such asset injection, the PS holders agree to turn the outstanding PS to equity of the Group. Accordingly, the PS had been reclassified to non-current liabilities as at 31 March 2011.

The fair value of the derivative component, representing the conversion right entitled to the holders of PS, was estimated at the issuance and the end of each reporting period using Binomial Model and the change in fair value of that component is recognised in profit or loss.

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

	2011	2010
	HK$'000	*HK$'000*
Liability component		
At 1 April	**176,820**	100,860
Exchange realignment	**614**	(199)
Interest charged for the year	**98,548**	57,965
(Gain) loss on recalculation of liability component of redeemable convertible cumulative preference shares	**(95,227)**	18,194
At 31 March	**180,755**	176,820

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

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

	2011	2010
	HK$'000	*HK$'000*
Derivative component		
At 1 April	**6,239**	25,110
Fair value loss (gain)	**115,338**	(18,871)
At 31 March	**121,577**	6,239

On 18 May 2009, due to the Group's default in the redemption on the CB1, the Company's early redemption obligation of PS was triggered. Details are set out in note 31. The liability component included the early redemption obligation at that day is approximately HK$114,218,000 with effective interest rate of 60% per annum.

As at 31 March 2011, the effective interest rate of the liability component of PS is 60% (2010: 60%) per annum.

The derivative component of PS were revalued at 31 March 2011 and 31 March 2010 based on valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group, determined using Binomial Model. The significant inputs to the models were as follows:

	2011	2010
Share price of underlying shares	**HK$1.10**	HK$0.41
Exercise price	**HK$0.3201**	HK$0.35
Expected volatility	**71.90%**	114.80%
Expected life	**2.13 years**	1.33 years
Risk-free rate	**0.937%**	0.383%
Expected dividend yield	**Nil**	Nil

33. SECURED BANK LOANS

At 31 March 2010, the secured bank loans bear fixed interest rate at 4.617% per annum and repayable within one year.

The bank loans are secured by term deposit approximately to HK$42,436,000. As the loan is repaid during the year ended 31 March 2011, the secured term deposit is released.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

34. DEFERRED TAX LIABILITIES

Deferred tax liabilities of represents account recognised from the fair value adjustment on intangible assets from business combinations during the year ended 31 March 2010.

At the end of the reporting period, the Group has unused tax losses of approximately HK$57,706,000 (2010: HK$69,233,000) and other temporary differences of HK$22,289,000 (2010: HK$19,272,000) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other temporary differences due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$45,008,000 (2010: HK$44,657,000) that will be expired during the period by 2015. Other losses may be carried forward indefinitely.

35. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
At 1 April 2009, 31 March 2010 and 31 March 2011		
Ordinary shares of HK0.1 each	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2009	234,367,577	23,437
Issue of new shares through conversion of convertible bonds *(Note a)*	27,654,000	2,765
At 31 March 2010 and 1 April 2010	262,021,577	26,202
Issue of new shares through conversion of convertible bonds *(Note b)*	235,493,088	23,549
Exercise of share options *(Note c)*	5,745,000	575
At 31 March 2011	503,259,665	50,326

Note a:

In March 2010, the holders of CB3 converted convertible bonds with aggregate value of HK$9,618,660 into 27,654,000 ordinary shares of HK$0.1 each in the Company.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

35. SHARE CAPITAL *(Continued)*

Note b:

During the year ended 31 March 2011, the holders of CB3, SCN1 and SCN2 converted convertible bonds with aggregate value of HK$75,381,340 into 235,493,088 ordinary shares of HK$0.1 each in the Company. The details of conversion are as follow:

Conversion period	No. of ordinary shares of HK$0.1 each	Price per share	Conversion principal amount
		HK$	*HK$*
CB3			
August-November 2010	32,431,552	0.3201	10,381,340
SCN1			
May-November 2010	46,860,351	0.3201	15,000,000
SCN2			
August 2010-March 2011	156,201,185	0.3201	50,000,000
Total	235,493,088		75,381,340

Note c:

On 14 September 2010, 28 October 2010, 5 November 2010, 24 November 2010 and 2 February 2011, a total of 5,745,000 share options were converted into 5,745,000 ordinary shares of HK$0.1 each in the Company with exercise price of HK$0.5 per share. Details of which have been set out in Note 37.

All the shares issued rank pari passu in all respect with the existing shares of the Company.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2011 HK$'000	2010 HK$'000
Non-current asset			
Investments in subsidiaries		–	–
Current assets			
Prepayments, deposits and other receivables		22,729	1,703
Amounts due from subsidiaries	(a)	–	39,604
Bank balances and cash		13,820	536
		36,549	41,843
Current liabilities			
Other payables and accrued expenses		9,860	8,506
Amounts due to subsidiaries	(a)	110,413	17,944
Derivative component of convertible bonds		–	6,046
Derivative component of redeemable convertible cumulative preference shares		121,577	6,239
Liability component of convertible bonds		–	61,478
Liability component of redeemable convertible cumulative preference shares		–	176,820
		241,850	277,033
Net current liabilities		(205,301)	(235,190)
Liability component of convertible bonds		55,623	–
Liability component of redeemable convertible cumulative preference shares	32	180,755	–
		236,378	–
Net liabilities		(441,679)	(235,190)
Capital and reserves			
Share capital		50,326	26,202
Reserves	(b)	(492,005)	(261,392)
		(441,679)	(235,190)

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY
(Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) The movement of reserves of the Company is as follows:

	Share premium	Contributed surplus	Convertible bonds reserve	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	212,308	57,124	3,592	148	(342,377)	(69,205)
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(201,120)	(201,120)
Conversion of convertible bonds	8,933	–	–	–	–	8,933
At 31 March 2010 and 1 April 2010	221,241	57,124	3,592	148	(543,497)	(261,392)
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(304,714)	(304,714)
Issue of convertible bonds	–	–	65,000	–	–	65,000
Conversion of convertible bonds	68,905	–	(65,000)	–	–	3,905
Share option granted	–	–	–	2,898	–	2,898
Share option exercised	3,688	–	–	(1,390)	–	2,298
At 31 March 2011	293,834	57,124	3,592	1,656	(848,211)	(492,005)

37. SHARE OPTIONS SCHEMES

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

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

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

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

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

37. SHARE OPTIONS SCHEMES *(Continued)*

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

Particulars of share options granted by the Company as at 31 March 2011 and 2010 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
E	13 April 2010	13 April 2010	12 April 2020	0.5

The following tables summarise the movements in the Company's share options during the year ended 31 March 2011:

Old Scheme

		Number of share options		
	Option type	Outstanding at 1 April 2010	Lapsed/ Exercised	Outstanding at 31 March 2011
Directors	A	25,000	–	25,000

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

37. SHARE OPTIONS SCHEMES *(Continued)*

New Scheme

	Option type	Outstanding at 1 April 2010	Granted	Exercised	Outstanding at 31 March 2011
		Number of share options			
Directors	B	1,500,000	–	–	1,500,000
	C	3,210,000	–	–	3,210,000
	E	–	5,406,000	(1,524,000)	3,882,000
Total of directors		4,710,000	5,406,000	(1,524,000)	8,592,000
Employees	B	60,000	–	–	60,000
	C	270,000	–	–	270,000
	E	–	6,570,000	(4,221,000)	2,349,000
Total of employees		330,000	6,570,000	(4,221,000)	2,679,000
Advisors and consultants	B	4,144,000	–	–	4,144,000
	C	4,422,000	–	–	4,422,000
	D	99,000	–	–	99,000
Total of advisors and consultants		8,665,000	–	–	8,665,000
Total		13,705,000	11,976,000	(5,745,000)	19,936,000

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

37. SHARE OPTIONS SCHEMES *(Continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2010:

Old Scheme

	Option type	Number of share options Outstanding at 1 April 2009	Lapsed/ Exercised	Outstanding at 31 March 2010
Directors	A	25,000	–	25,000

New Scheme

	Option type	Number of share options Outstanding at 1 April 2009	Granted	Lapsed *(Note)*	Outstanding at 31 March 2010
Directors	B	3,000,000	–	(1,500,000)	1,500,000
	C	5,310,000	–	(2,100,000)	3,210,000
Total of directors		8,310,000	–	(3,600,000)	4,710,000
Employees	B	60,000	–	–	60,000
	C	270,000	–	–	270,000
Total of employees		330,000	–	–	330,000
Advisors and consultants	B	4,144,000	–	–	4,144,000
	C	4,422,000	–	–	4,422,000
	D	99,000	–	–	99,000
Total of advisors and consultants		8,665,000	–	–	8,665,000
Total		17,305,000	–	(3,600,000)	13,705,000

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

37. SHARE OPTIONS SCHEMES *(Continued)*

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

	2011		2010	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 April	**2.783**	**13,730,000**	2.781	17,330,000
Granted	**0.5**	**11,976,000**	–	–
Exercised	**0.5**	**(5,745,000)**	–	–
Lapsed	**–**	**–**	2.773	(3,600,000)
At 31 March	**1.930**	**19,961,000**	2.783	13,730,000

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.52 years (2010: 2.02 years).

The estimated fair value of the share options granted on 13 April 2010 is approximately HK$2,898,000 were calculated using Binomial Option Pricing Model. The inputs to the model were as follows:

	13 April 2010
Share price of underlying share	HK$0.49
Exercise price	HK$0.5
Expected volatility	101%
Expected life	10 years
Risk-free rate	2.82%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous four years. The expected life using 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 Consolidated Financial Statements
(For the year ended 31 March 2011)

37. SHARE OPTIONS SCHEMES *(Continued)*

The Group recognised the total expense of approximately HK$2,898,000 for the year ended 31 March 2011 (2010: Nil) in relation to share options granted by the Company.

Note: The grantee of the share options is no longer the director of the Group upon resignation on 25 August 2009. Those share options lapsed on the date of cessation of the employment with the Group.

38. BUSINESS COMBINATION

On 20 December 2009, the Group acquired 100% equity interests in Nanjing Wangchi from an independent third party for a consideration of RMB3,000,000 (equivalent to HK$3,405,000). This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$1,152,000 (Note 19).

Consideration transferred

	HK$'000
Cash paid during the year	1,011
Consideration payable *(Note)*	2,394
	3,405

Note: At 31 March 2011, the Group only paid RMB900,000 (equivalent to HK$1,011,000) to the vendor, however, an extension agreement was signed between the Group and the vendor in December 2010, that mutually agreed to extend the payment date of the balance consideration amount to RMB2,100,000 (equivalent to HK$2,394,000) not later than 30 June 2011. The Group has paid the remaining consideration to the vendor on 28 June 2011.

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

38. BUSINESS COMBINATION *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	53
Intangible assets	1,694
Inventories	600
Trade receivables	325
Prepayments, deposits and other receivables	69
Bank balances and cash	195
Other payables and accrued expenses	(260)
Deferred tax liabilities	(423)
Net assets acquired	2,253

The fair value of trade and other receivables at the date of acquisition amounted to HK$325,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$325,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	3,405
Less: fair value of identifiable net assets acquired	(2,253)
Goodwill	1,152

Goodwill arose on the acquisition of Nanjing Wangchi because the acquisition included the benefit of expected revenue growth and future market development. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

38. BUSINESS COMBINATION *(Continued)*

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid during the year	(1,011)
Bank balances and cash acquired	195
	(816)

Included in the loss for the year is HK$707,000 attributable to Nanjing Wangchi. Revenue for the year includes HK$178,000 in respect of Nanjing Wangchi.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

39. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 March 2011

Junghua Enterprises Holdings Limited and its subsidiaries, CHC (Shanghai) Medical & Healthcare Services Limited and Beijing Weichang Medical Clinic Company Limited (hereinafter collectively referred to as "B-to-B Group").

On 31 July 2010, the Group disposed of B-to-B Group, which carried out B-to-B healthcare services of the Group, to an independent third party for consideration of HK$1 and the gain on disposal was approximately HK$1,387,000.

Consideration received

	HK$'000
Consideration receivable	–

Analysis of asset and liabilities over which control was lost

	31/7/2010
	HK$'000
Property, plant and equipment	1,187
Goodwill	8,922
Bank balance and cash	2,175
Trade and other receivables	37,952
Trade and other payables	(56,240)
Net liabilities disposed of	(6,004)

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 March 2011 *(Continued)*

Gain on disposal of subsidiaries

	HK$'000
Consideration received and receivable	
Net liabilities disposed of	6,004
Non-controlling interests	(135)
Cumulated exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(4,482)
Gain on disposal	1,387

The gain on disposal in included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

Net cash outflow on disposal of subsidiaries

	HK$'000
Cash consideration	–
Less: cash and cash equivalent balances disposed of	(2,175)
	(2,175)

The impact of B-to-B Group on the Group's results and cash flows in the current and prior periods is disclosed in note 14.

(b) For the year ended 31 March 2010

On 11 December 2009, the Group disposed of its entire equity interest in Artel Limited and its subsidiary, Beijing Joyzone Network Technologic Co., Ltd. (hereinafter collectively referred to as "Artel Group"), to an independent third party for a total consideration of HK$6 and the gain on disposal was approximately HK$2,533,000.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 March 2010 *(Continued)*

Net liabilities at the date of disposal were as follows:

	HK$'000
Plant and equipment	63
Prepayments, deposits and other receivables	39
Bank balances and cash	98
Other payables and accrued expenses	(2,835)
Net liabilities disposed of	(2,635)
Release of foreign currency translation reserve	102
Gain on disposal of subsidiaries	2,533
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash consideration received	–
Bank balances and cash disposed of	(98)
	(98)

The subsidiaries disposed of during the year ended 31 March 2011 had no significant impact on the turnover and results of the Group and no cash flow impacts were noted.

Notes to the Consolidated Financial Statements
(For the year ended 31 March 2011)

40. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

For the year ended 31 March 2010

On 31 July 2009, Philip Riese, an independent third party has subscribed 500 convertible preference shares from Harvest Network, a subsidiary of the Group, which represented 0.05% equity interests in Harvest Network with consideration of US$50,000 (equivalent to approximately HK$388,000).

After the aforesaid deemed disposal, the equity interest of Harvest Network owned by the Group has reduced from 44.81% to 44.76% and no change on the composition of the board of directors of Harvest Network. In this regard, the Group retained control of Harvest Network subsequent to the deemed disposal, and Harvest Network continued to be accounted for as a subsidiary of the Group.

The deemed disposal gave rise to the recognition of a non-controlling interests of approximately HK$302,000, release of goodwill of approximately HK$30,000 and a gain on deemed disposal of approximately HK$56,000.

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011, convertible bonds with liability component and derivative component of approximately HK$8,197,000 and HK$19,257,000 respectively were converted into approximately 32,431,000 ordinary shares of the Company of HK$0.1 each.

During the year ended 31 March 2010, convertible bonds with liability component and derivative component of approximately HK$6,484,000 and HK$5,214,000 respectively were converted into approximately 27,654,000 ordinary shares of the Company of HK$0.1 each.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payables as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**2,300**	1,638
In the second to fifth years inclusive	**830**	995
	3,130	2,633

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.

43. RELATED PARTY TRANSACTIONS

Other than the details as disclosed elsewhere in the consolidated financial statements, during the year the Group entered into the following related party transactions:

Compensation of key management personnel (being the directors' emoluments) of the Group are set out in note 15.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

44. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in these financial statements, the Group had the following material events after 31 March 2011:

(a) On or around 19 August 2010, the Company and Wingames Investments Limited, an indirectly wholly-owned subsidiary of the Company ("Wingames"), entered into an agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors"). The Agreement was for the acquisition of assets by Wingames, the details of which were set out in the Company's announcement to the Stock Exchange on 13 October 2010 and the Company's circular on 22 February 2011.

The Agreement was not completed by the required date. Wingames and the Company (the "Plaintiffs") have commenced legal proceedings against the Procurer; China Zhongfu; Shanghai Zhongfu; Anhui Anhe and the Management Guarantors (the "Defendants") in Hong Kong in respect of the failure to complete the Agreement (the "Proceedings"), and the Proceedings are ongoing.

(b) Subsequent to the year ended 31 March 2011, the Group are in the process of disposing its entire interest in Shanghai Harvest Network Technology Company Limited and its subsidiaries which includes its wholly owned subsidiary Shanghai De Yi Network Technology Company Limited, an indirectly owned subsidiary of the Company, and the Group has entered into an agreement with Shanghai Huiqu E-commerce Company Limited ("上海匯趣電子商務有限公司"), an independent third party, to dispose of Shanghai Harvest Group at a consideration of approximately RMB35,911,000 (the "Transaction"), and such a Transaction constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to shareholders' approval in a special general meeting of the Company to be held.

(c) Subsequent to the year ended 31 March 2011, the Group disposed the entire interest of West Regent Property Limited to an independent third party for a consideration of HK$1.

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries of the Company as at 31 March 2011 and 2010 are as follows:

Name of Company	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of beneficial interest held by						Principal activities
				Group		Company		Subsidiaries		
				2011	2010	**2011**	2010	**2011**	2010	
Beijing Universal Medical Assistance Co., Ltd. *(Note b and e)*	PRC	Registered capital	RMB3,000,000	**–**	62.36%	**–**	–	**–**	70%	Provision of exclusive nationwide medical assistance services
Beijing Weichang Medical Clinic Co., Ltd. ("BWC") *(Notes c and e)*	PRC	Registered capital	RMB2,000,000	**–**	100%	**–**	100%	**–**	–	Provision of medical services
CHC Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	**100%**	100%	**100%**	100%	**–**	–	Investment holding
Wingames Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100%**	–	**–**	–	**100%**	–	Investment holding
Rich Base International Investments Limited	Hong Kong	Ordinary	HK$1	**100%**	–	**–**	–	**100%**	–	Investment holding
China Clinical Trials Centre Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	**100%**	100%	**–**	–	**100%**	100%	Clinical trials of drugs and devices
China Healthcare Holdings (Hong Kong) Limited	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**100%**	100%	**–**	–	Investment holding
China Healthcare Services Investment Limited *(Note e)*	British Virgin Islands/ Hong Kong	Ordinary	US$137,500	**–**	89.09%	**–**	–	**–**	89.09%	Investment holding
China Medicare Limited *(Note e)*	Hong Kong	Ordinary	HK$1,000,000	**–**	89.09%	**–**	–	**–**	100%	Investment holding
Guangdong Harvest Network Technology Company Limited *(Note c)*	PRC	Registered capital	RMB10,000,000	**44.31%** *(Note d)*	44.31% *(Note d)*	**–**	–	**99%**	99%	E-commerce distribution of mobile pre-charge etc
Junghua Enterprises Holdings Limited *(Note e)*	British Virgin Islands/ Hong Kong	Ordinary	US$1	**–**	100%			**–**	100%	Investment holding

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of Company	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of beneficial interest held by Group		Company		Subsidiaries		Principal activities
				2011	2010	2011	2010	2011	2010	
Shandong Harvest Mobile Communication Technology Company Limited *(note b)*	PRC	Registered capital	RMB14,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	E-commerce distribution of mobile pre-charge etc
Shanghai De Yi Er Investment Management Consulting Co., Ltd *(note a)*	PRC	Registered capital	US$10,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	Investment and consultancy
Shanghai De Yi Network Technology Company Limited *(note c)*	PRC	Registered capital	RMB50,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	Sales of mobile phone usage fees by e-commerce
Shanghai Harvest Network Technology Co. Limited *(Note b)*	PRC	Registered capital	RMB40,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	E-commerce distribution of mobile pre-charge etc
Shanghai Kejin Network Technology Co. Limited *(Note c)*	PRC	Registered capital	RMB5,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	E-commerce distribution of mobile pre-charge etc
Shanghai New Everstep Investment Management and Consultancy Limited *(Note a)*	PRC	Registered capital	US$920,000	**100%**	100%	**-**	–	**100%**	100%	Provision of maternal and fetal care service
Shanghai Qiangzhi Biotechnologies Co., Ltd. ("SQB") (Notes c)	PRC	Registered capital	RMB3,000,000	**100%**	100%	**-**	–	**100%**	100%	Trading of clinical reagents and medical equipments
Shanghai Weichang Investment and Management Consulting Co., Ltd. *(Note a)*	PRC	Registered capital	US$3,350,000	**100%**	100%	**-**	–	**100%**	100%	Investment management and consultancy services
Harvest Network Limited (formerly known as Success Gateway Investments Limited)	British Virgin Islands/ Hong Kong	Ordinary convertible preference shares	US$205 US$21,600,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**44.76%**	44.81%	Investment holding
TechCap BioTech Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1,000	**100%**	100%	**100%**	100%	**-**	–	Investment holding
West Regent Property Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	**-**	100%	**-**	–	**-**	100%	Investment holding

Notes to the Consolidated Financial Statements

(For the year ended 31 March 2011)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of Company	Place of incorporation/ registration and operations	Class of shares held	Issued/ registered capital	Percentage of beneficial interest held by						Principal activities
				Group		Company		Subsidiaries		
				2011	2010	**2011**	2010	**2011**	2010	
Wisdom Profit Investment Limited	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**-**	–	**100%**	100%	Trading of clinical reagents and medical equipments
World Success Investments Limited	Hong Kong	Ordinary	HK$10,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	100%	Investment and consultancy
Nanjing Wangchi	PRC	Registered capital	RMB1,000,000	**44.76%** *(Note d)*	44.76% *(Note d)*	**-**	–	**100%**	–	Payment solution service

Notes:

(a) Wholly foreign owned enterprises established in the PRC.

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

(c) Domestic enterprises established in the PRC.

(d) The Group had the controlling power over the board of directors of Harvest Network, accordingly, Harvest Network and its subsidiaries had been accounted for as subsidiaries of the Group, details are set out in note 41(b).

(e) Disposed of on 31 July 2010.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Financial Summary

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
RESULTS					
Turnover	**78,442**	2,769,760	2,870,719	2,867,570	1,632,961
(Loss)/profit before tax	**(181,038)**	(95,252)	35,034	(21,909)	(73,372)
Income tax expense	**(3,374)**	(386)	(1,451)	(2,091)	(883)
Loss for the year from continuing operations	**(184,412)**	(95,638)	33,583	(24,000)	74,255
Profit/(loss) for the year from discontinued operations	**2,277**	(3,173)	–	–	–
(Loss)/profit for the year	**(182,135)**	(98,811)	33,583	(24,000)	(74,255)
Attributable to:					
Owners of the Company	**(208,216)**	(89,695)	18,806	(25,152)	(73,210)
Non-controlling interests	**26,081**	(9,116)	14,777	1,152	(1,045)
	(182,135)	(98,811)	33,583	(24,000)	(74,255)

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**289,152**	294,892	280,623	196,441	198,807
Total liabilities	**(386,967)**	(316,710)	(218,120)	(241,040)	(225,137)
Net (liabilities)/assets	**(97,815)**	(21,818)	62,503	(44,599)	(26,330)