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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Xia Healthcare Holdings Limited (the "Company"), you should at once hand this prospectus together with the accompanying form of application (as defined herein) (together, the "Prospectus Documents") to the purchaser or transferee, or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents. Dealings in the securities of the Company may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their respective accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.

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## HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

### OPEN OFFER OF 899,022,397 OFFER SHARES AT HK\$0.05 PER OFFER SHARE ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE PAYABLE IN FULL ON APPLICATION

#### Underwriter



華富嘉洛證券有限公司

Quam Securities Company Limited

#### Financial Adviser to the Company



INCUBUS CORPORATE FINANCE LIMITED

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The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. (Hong Kong time) on Wednesday, 15 October 2008. The procedures for application of the Offer Shares are set out on page 24 of this prospectus. Shares (as defined herein) has been dealt on an ex-entitlements basis from Monday, 22 September 2008. If the Underwriter (as defined herein) terminates the Underwriting Agreement (as defined herein), or the conditions of the Open Offer (as defined herein) are not fulfilled, the Open Offer will not proceed. Any Shareholders (as defined herein) or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled (which is expected to be Tuesday, 21 October 2008) will accordingly bear the risk that the Open Offer could not become unconditional and may not proceed.

It should be noted that if prior to the Latest Time for Termination (as defined herein),

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
  - (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
  - (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
  - (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
  - (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement. Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed. The obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

30 September 2008

\* for identification purposes only

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Conversion Shares”	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the Convertible Notes I and the Convertible Notes II
“Convertible Notes I”	the convertible notes with an aggregate principal amount of HK\$33,000,000 conferring rights to convert to a total of 93,750,000 Shares on the basis of an initial conversion price of HK\$0.352 per Share (subject to adjustment) and beneficially owned by Mr Lau
“Convertible Notes II”	the convertible notes with an aggregate principal amount of HK\$2,500,000 conferring rights to convert to subscribe a total of 15,527,950 Shares on the basis of an initial conversion price of HK\$0.161 per Share (subject to adjustment)

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## DEFINITIONS

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“Directors”	directors of the Company
“Easeglory”	Easeglory Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr Yung
“Excluded Options”	a total of 142,520,740 Post-IPO Share Options granted under the Post-IPO Share Option Scheme including holders of 133,478,655 Post-IPO Share Options and 9,042,085 Post-IPO Share Options granted to Mr Yung
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Lodging Date”	being 4:30 p.m. on 23 September 2008, the latest time for lodging transfer of the Shares and/or exercising the Share Options, and Convertible Notes in order to qualify for the Open Offer
“Latest Practicable Date”	26 September 2008, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Latest Time for Termination”	4:00 p.m. on the fourth business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Mr Yung”	Mr Yung Kwok Leong, an executive Director and the chairman of the Company
“Mr Lau”	Mr Lau Kam Shui, a Shareholder holding 170,320,000 Shares and the holder of the Convertible Notes I

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## DEFINITIONS

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“Ms Shum”	Ms Shum Ngai Pan, an executive Director
“Mr Wu”	Mr Wu Jianguo, a Shareholder holding 88,607,595 Shares
“Mr Zheng”	Mr Zheng Gang, an executive Director
“Offer Share(s)”	899,022,397 new Shares, to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Post-IPO Share Options”	Options to subscribe for Shares granted under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 20 April 2002 which came into effect after the initial listing of the Shares on GEM on 10 May 2002
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Options”	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002

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## DEFINITIONS

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“Prohibited Shareholder(s)”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Prospectus”	this prospectus containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	30 September 2008 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	29 September 2008, being the date by reference to which entitlements to the Open Offer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Options”	options to subscribe for Shares granted under the Share Option Schemes
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.05 per Offer Share

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## DEFINITIONS

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“Underwriter”	Quam Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement amongst the Company, the Underwriter and Mr Yung dated 5 September 2008 in relation to the Open Offer
“Underwritten Shares”	574,091,850 Offer Shares (being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu)
“HK\$”	Hong Kong dollars
“%”	per cent.



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## SUMMARY OF THE OPEN OFFER

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*The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.*

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date
Number of existing Shares in issue:	1,798,044,795 Shares as at the Latest Practicable Date
Number of Offer Shares to be issued:	899,022,397 Offer Shares
Subscription Price:	HK\$0.05 per Offer Share payable in full on application
Amount to be raised by the Open Offer:	Approximately HK\$44.95 million
Undertakings of Mr Yung, Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu:	Each of Mr Yung, Easeglory (by way of Mr Yung's undertaking), Ms Shum, Mr Zheng, Mr Lau and Mr Wu has irrevocably undertaken to take up their respective entitlements under the Open Offer in full
Number of Underwritten Shares:	574,091,850 Offer Shares (being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu )
Basis of entitlement:	Offer Shares will be allotted in the proportion of one Offer Share for every two Shares held by the Qualifying Shareholders on the Record Date. No Offer Shares will be offered to the Prohibited Shareholders (if any)
Right of excess application:	The Qualifying Shareholders will not have the right to apply for excess Offer Shares
Underwriter:	Quam Securities Company Limited

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## EXPECTED TIMETABLE

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*The expected timetable for the Open Offer set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.*

2008

Latest time for acceptance of, and payment for, the Open Offer . . . . . 4:00 p.m.  
on Wednesday, 15 October

Latest Time for Termination . . . . . 4:00 p.m. on Tuesday, 21 October

Expected time for all conditions to which  
the Open Offer is subject are fulfilled and  
the Open Offer becomes unconditional . . . . . 4:00 p.m. on Tuesday, 21 October

Announcement of results of the Open Offer  
on the GEM's website . . . . . Tuesday, 21 October

Certificates for the Offer Shares to be  
despatched on or before . . . . . Wednesday, 22 October

Dealings in fully-paid Offer Shares commence on . . . . . Friday, 24 October

All times stated above refer to Hong Kong times.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES**

The latest time for acceptance of and payment for Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a "black" rainstorm warning

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## EXPECTED TIMETABLE

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- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 15 October 2008. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same business day; and
  
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 15 October 2008. Instead the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Open Offer does not take place on Wednesday, 15 October 2008, the dates mentioned in the section headed “Expected timetable” in this Prospectus may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

**If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

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## LETTER FROM THE BOARD

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### HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

*Executive Directors:*

Mr Yung Kwok Leong (Chairman)  
Dr Jiang Tao (Chief Executive Officer)  
Mr Zheng Gang  
Ms Shum Ngai Pan  
Mr Chen Jin Shan

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Director:*

Dr Wong Yu Man, James

*Head office and principal place of  
business in Hong Kong:*

Room 1902, 19/F  
Sing Pao Building  
No. 101 King's Road  
North Point, Hong Kong

*Independent non-executive Directors:*

Ms Wong Ka Wai, Jeanne  
Mr Hsu William Shiu Foo  
Prof Yu Chai Mei

30 September 2008

*To the Shareholders*

Dear Sir or Madam,

**OPEN OFFER OF 899,022,397 OFFER SHARES AT HK\$0.05 PER  
OFFER SHARE ON THE BASIS OF ONE OFFER SHARE FOR  
EVERY TWO SHARES HELD ON RECORD DATE  
PAYABLE IN FULL ON APPLICATION**

**INTRODUCTION**

On 8 September 2008, the Board announced that the Company proposed to raise not less than approximately HK\$44.95 million, before expenses, by an open offer of not less than 899,022,397 Offer Shares and not more than 908,794,083 Offer Shares at a subscription price of HK\$0.05 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on the Record Date.

As at the Latest Lodging Date, the Company has 1,798,044,795 Shares in issue. Given that the register of the members would be closed from 24 September 2008 to 29 September 2008 and no Shares would be issued during the book close period, the total number of issued Shares on the Record Date would be the same as the Latest Lodging Date. As such, on the basis of one Offer Share for every two Shares held on the Record Date, 899,022,397 Offer Shares will be issued and 574,091,850 Offer Shares (being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu) will be underwritten by the Underwriter.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Open Offer; (ii) financial information of the Group; and (iii) general information of the Group.

### OPEN OFFER

#### Issue statistics

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date
Number of existing Shares in issue:	1,798,044,795 Shares as at the Latest Practicable Date
Number of Offer Shares to be issued:	899,022,397 Offer Shares
Subscription Price:	HK\$0.05 per Offer Share payable in full on application

As at the Record Date and the Latest Practicable Date, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 109,277,950 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 255,814,112 Shares. Save as disclosed above, the Company does not have any other outstanding options, convertible notes or securities in issue which are convertible or exchangeable into Shares.

#### Subscription Price

The Subscription Price of HK\$0.05 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 56.52% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 September 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 56.06% to the average of the closing prices of HK\$0.1138 per Share quoted on the Stock Exchange for the five trading days up to and including 4 September 2008;
3. a discount of approximately 55.31% to the average of the closing prices of HK\$0.1119 per Share quoted on the Stock Exchange for the 10 trading days up to and including 4 September 2008;

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## LETTER FROM THE BOARD

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4. a discount of approximately 46.41% to the theoretical ex-rights price of HK\$0.0933 based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 September 2008; and
5. a discount of approximately 16.67% to the closing price of HK\$0.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions.

As (i) the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter; and (ii) the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro-rata shareholdings in the Company; the Directors consider the terms of the Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Tuesday, 23 September 2008.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

### **Rights of Prohibited Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. To determine the identities of the Prohibited Shareholders and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders.



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## LETTER FROM THE BOARD

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As at the close of business on the Record Date, there were no Overseas Shareholders on the register of members of the Company. Hence, no Shareholders will be excluded from the Open Offer.

### **Status of the Offer Shares**

The Offer Shares (when allotted and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

### **Share Certificates for Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, certificates for all fully-paid Offer Shares are expected to be posted on or before Wednesday, 22 October 2008 to those Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

### **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective *pro rata* shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

### **Fractions of Offer Shares**

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriter.

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## LETTER FROM THE BOARD

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### Odd lots arrangements

The Company will not procure an agent to arrange for odd lots matching service.

### Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to continue to be traded in existing board lot of 20,000 Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### UNDERWRITING ARRANGEMENT

#### Underwriting Agreement

Date: 5 September 2008

Underwriter: Quam Securities Company Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: 899,022,397 Offer Shares

Number of Underwritten Shares: 574,091,850 Offer Shares

Commission: an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares as set out in the Underwriting Agreement

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## LETTER FROM THE BOARD

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### Undertakings

As at the Latest Practicable Date, Mr Yung was interested in 6,187,500 Shares and 9,042,085 Post-IPO Share Options conferring rights to subscribe for 9,042,085 Shares and Easeglory, a company wholly owned by Mr Yung, was interested in 375,746,000 Shares. Pursuant to the Underwriting Agreement, Mr Yung has irrevocably undertaken to the Company and the Underwriter (i) not to exercise any of the 9,042,085 Post-IPO Share Options granted to him on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 3,093,750 Offer Shares and 187,873,000 Offer Shares to which he and Easeglory respectively are entitled to pursuant to the Open Offer.

As at the Latest Practicable Date, Ms Shum was interested in 5,400,000 Shares and 10,805,240 Post-IPO Share Options conferring rights to subscribe for 10,805,240 Shares. Pursuant to the undertaking letter from Ms Shum, Ms Shum has irrevocably undertaken to the Company, the Underwriter and Mr Yung (i) not to exercise any of the 10,805,240 Post-IPO Share Options granted to her on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 2,700,000 Offer Shares to which Ms Shum is entitled to pursuant to the Open Offer.

As at the Latest Practicable Date, Mr Zheng was interested in 3,600,000 Shares. Pursuant to the undertaking letter from Mr Zheng, Mr Zheng has irrevocably undertaken to the Company, the Underwriter and Mr Yung to subscribe for or procure the subscription of the 1,800,000 Offer Shares to which Mr Zheng is entitled to pursuant to the Open Offer.

As at the Latest Practicable Date, Mr Lau was interested in 170,320,000 Shares and the Convertible Notes I conferring rights to subscribe for 93,750,000 Conversion Shares. Pursuant to the undertaking letter from Mr Lau, Mr Lau has irrevocably undertaken to the Company, the Underwriter and Mr Yung (i) not to exercise any of the conversion right attached to the Convertible Notes I on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 85,160,000 Offer Shares to which Mr Lau is entitled to pursuant to the Open Offer.

As at the Latest Practicable Date, Mr Wu was interested in 88,607,595 Shares. Pursuant to the undertaking letter from Mr Wu, Mr Wu has irrevocably undertaken to the Company, the Underwriter and Mr Yung to subscribe for or procure the subscription of the 44,303,797 Offer Shares to which Mr Wu is entitled to pursuant to the Open Offer.

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## LETTER FROM THE BOARD

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In addition, the holders with an aggregate of 133,478,655 Post-IPO Share Options (excluding the 9,042,085 Post-IPO Share Options which Mr Yung is interested in but including 10,805,240 Post-IPO Share Options, 10,781,160 Post-IPO Share Options and 10,781,160 Post-IPO Share Options of which Ms Shum, Jiang Tao and Chen Jin Shan, all being executive Directors, are respectively interested in) granted under the Post-IPO Share Option Scheme have given an irrevocable undertaking to the Company, the Underwriter and Mr Yung not to exercise on or before the Latest Lodging Date the Post-IPO Share Options granted to the holders.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriter has agreed to underwrite 574,091,850 Underwritten Shares as all the Pre-IPO Share Options, Post-IPO Share Options (excluding the Excluded Options) and the conversion rights attaching to the Convertible Notes II are not being exercised on or before the Latest Lodging Date.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

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## LETTER FROM THE BOARD

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- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

**If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

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## LETTER FROM THE BOARD

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### CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (5) compliance with and performance of an irrevocable undertaking by each of Ms Shum, Mr Zheng, Mr Lau and Mr Wu in favour of the Company, the Underwriter and Mr Yung to subscribe for 2,700,000 Offer Shares, 1,800,000 Offer Shares, 85,160,000 Offer shares and 44,303,797 Offer Shares to which they respectively entitled under the Open Offer;
- (6) the performance of an irrevocable undertaking by Mr Lau in favour of the Company, the Underwriter and Mr Yung not to exercise the conversion rights attaching to the Convertible Notes I;
- (7) compliance with and performance of an irrevocable undertaking by each of the holders of the Excluded Options in favour of the Company, the Underwriter and Mr Yung not to exercise the Post-IPO Share Options; and
- (8) compliance with and performance of all undertakings and obligations of Mr Yung under the Underwriting Agreement.

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## LETTER FROM THE BOARD

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Up to the Latest Practicable Date, except for conditions (6), (7), none of the above conditions precedent has been fulfilled. The above conditions (1) and (2) have been fulfilled on the Prospectus Posting Date.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

### **WARNING OF RISKS OF DEALING IN SHARES**

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Monday, 22 September 2008 and that dealings in such Shares have taken place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Tuesday, 21 October 2008), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

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## LETTER FROM THE BOARD

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### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

	As at the		Immediately		Immediately	
	Latest Practicable Date		following completion		following completion	
			of the Open Offer		of the Open Offer	
			on the assumption		on the assumption	
			as set out in Note 1		as set out in Note 2	
	<i>Number</i>		<i>Number</i>		<i>Number</i>	
	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>
Mr Yung and Easeglory <i>(Note 3)</i>	381,933,500	21.24%	572,900,250	21.24%	572,900,250	21.24%
Ms Shum <i>(Note 4)</i>	5,400,000	0.30%	8,100,000	0.30%	8,100,000	0.30%
Mr Zheng <i>(Note 4)</i>	3,600,000	0.20%	5,400,000	0.20%	5,400,000	0.20%
Mr Lau	170,320,000	9.47%	255,480,000	9.47%	255,480,000	9.47%
Mr Wu	88,607,595	4.93%	132,911,392	4.93%	132,911,392	4.93%
Underwriter <i>(Note 5)</i>	–	–	–	–	574,091,850	21.29%
Public Shareholders	1,148,183,700	63.86%	1,722,275,550	63.86%	1,148,183,700	42.57%
Total	<u>1,798,044,795</u>	<u>100%</u>	<u>2,697,067,192</u>	<u>100%</u>	<u>2,697,067,192</u>	<u>100%</u>

*Notes:*

- Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
- Assuming none of the Shareholders (save for the Mr Yung and Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu who have undertaken to subscribe for, or procure the subscription of their respective pro-rata entitlements to Offer Shares in full) under the Open Offer take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriter will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
- Mr Yung, being an executive Director and the chairman of the Company is interested in 6,187,500 Shares and Easeglory, a company wholly-owned by Mr Yung, is interested in 375,746,000 Shares.
- Ms Shum and Mr Zheng are executive Directors.
- The Underwriter will enter into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, none of the Underwriter and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).



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## LETTER FROM THE BOARD

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### FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of the announcement of the Company in relation to the Open Offer, the Company has not conducted any fund raising activities.

### REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. As indicated in the annual report of the Company for the year ended 31 March 2008, the provision of general hospital and healthcare and hospital management services in the PRC by the Group were the main contribution in generating revenue for the Group. The Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) in order to benefit from the growth in the healthcare sector and enhance Shareholders' returns in the long-run.

In order to achieve the acquisition strategy of the Group, the Group's working capital requirements have accordingly increased. The Board therefore considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital which through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

### USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$43 million will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the Latest Practicable Date, the Company has not identified specific investment opportunities.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Results of the Group for the year ended 31 March 2008 have shown improvement in turnover compared with the previous year. Turnover of the continuing operations of the Group for the year was approximately HK\$114.165 million in comparison with HK\$33.697 million (restated) in 2007. The improvement in revenue for the year ended 31 March 2008 was mainly driven by the contribution in turnover by the provision of general hospital services and healthcare and hospital management services in the PRC. Gross profit of the continuing operation of the Group was approximately HK\$74.591 million in comparison with HK\$30.324 million (restated) in 2007.

Net loss attribute to the equity holders for the year ended 31 March 2008 was approximately HK\$17.891 million (2007: net profit approximately HK\$5.981 million) mainly due to the provision of the impairment loss on goodwill of approximately HK\$30.318 million for the disposal of subsidiaries. Such disposals have been completed in the financial year ended 31 March 2008.

Selling and distribution expenses for the year ended 31 March 2008 was approximately HK\$5.692 million as compared to approximately HK\$0.408 million (restated) for the last year. Such increase was related to the marketing and promotional expenses of the hospitals in the PRC.

Administrative expenses for the year ended 31 March 2008 amounted to approximately HK\$35.602 million (2007: HK\$19.524 million (restated)). The increase was due to the increase in professional expenses incurred for the acquisition of the hospitals in the PRC and disposal of the subsidiaries during the year.

Under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. As indicated in the annual report of the Company for the year ended 31 March 2008, the provision of general hospital and healthcare and hospital management services in the PRC by the Group were the main contribution in generating revenue for the Group.

On 5 May 2008, the Group had completed the acquisition of the entire equity interest of Large Forever Group Limited and its subsidiaries, including the 70% owned Shangrao Xiehe Hospital, is a privately-run hospital established in Shangrao, the PRC by Shangrao Shi Xiehe Hospital Company Limited, which provides general hospital services in Shangrao, the PRC including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit and Chinese medical treatments. The total consideration of HK\$68.6 million was settled by cash. The books and accounts of the hospital has been consolidated with that of the Group.

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## LETTER FROM THE BOARD

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On 17 July 2008, the Group has completed the acquisition of the entire equity interest of Smart Peak Limited and its subsidiaries. Smart Peak Limited indirectly has 100% control of Bengbu Shi Aomeijia Female Hospital Limited, a privately-run hospital established in Anhui, the PRC which provides general hospital services in Anhui, the PRC including but not limited to medicine ward, surgical ward, gynecology, paediatric unit, plastic surgery, ear nose and throat unit, emergency and accident unit and medical checkup and examination. The total consideration of HK\$49 million was settled by cash. The books and accounts of the hospital has been consolidated with that of the Group.

The Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) in order to benefit from the growth in the healthcare sector and enhance shareholders' returns in the long-run.

### **PROCEDURES FOR APPLICATION AND PAYMENT**

If you are a Qualifying Shareholder, you will find the Application Form enclosed with this Prospectus which entitles you to apply for the number of Offer Shares in your assured entitlement shown thereon. If you wish to apply for such Offer Shares or any lesser number of such Offer Shares, you must complete, sign and lodge the same in accordance with the instructions printed thereon, together with the remittance for full amount payable on application with the Registrar by not later than 4:00 p.m. (Hong Kong time) on Wednesday, 15 October 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Hua Xia Healthcare Holdings Limited – Open Offer Account" for Offer Shares and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than the latest time for acceptance of and payment for the Open Offer on Wednesday, 15 October 2008 by the Qualifying Shareholder, his/her/its entitlement to apply under the Open Offer will be deemed to have been declined and will be cancelled.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholder under the Open Offer will be deemed to have been declined and will be cancelled.

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## LETTER FROM THE BOARD

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If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Open Offer is subject are not fulfilled in accordance with the section headed “Conditions of the Open Offer”, the application monies will be refunded, without interest, by sending cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) and crossed “Account Payee Only”, through ordinary post at the risk of the applicants to their respective addresses as registered in the register of members of the Company on or before Friday, 24 October 2008.

The Application Form is for use only by the person(s) named therein and is not transferable or renounceable. All documents, including cheques and cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses.

No receipt will be issued in respect of any application monies received.

### **ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES AND THE CONVERTIBLE NOTES**

Pursuant to the terms of the Share Option Schemes and the Convertible Notes, the exercise prices and the conversion prices of the respective Share Options and Convertible Notes may be adjusted in accordance with the terms of the Share Option Schemes and the Convertible Notes upon the Open Offer becoming unconditional. The corresponding adjustments will be made to the number or nominal amount of Shares subject to the respective Share Options and Convertible Notes so far as unexercised and unconverted, and/or the subscription prices, and/or the method of exercise of the Share Options and the method of conversion of the Convertible Notes provided that such adjustments will be made on the basis that the proportion of the issued share capital to which a holder of the Share Options and/or Convertible Notes is entitled after such adjustments will remain the same as that to which he was entitled before such alteration and no Share will be issued at less than its nominal value.

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## LETTER FROM THE BOARD

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The adjustments to the exercise prices and conversion prices of the respective Share Options and Convertible Notes are set out below (*round to 3 decimal places*):

<b>(i) Prior to the effect of the Open Offer the exercise price per Share and the number of Shares subject to the outstanding Shares Options under the Share Option Schemes</b>	<b>New exercise price per Share and number of Shares subject to the outstanding Share Options after the Open Offer under the Share Option Schemes</b>
Pre-IPO Share Option Scheme:	Pre-IPO Share Option Scheme:
(a) 1,368,822 Shares exercisable at HK\$0.409 each	(a) 1,457,248 Shares exercisable at HK\$0.384 each
Post-IPO Share Option Scheme:	Post-IPO Share Option Scheme:
(a) 36,390,750 Shares exercisable at HK\$0.627 each	(a) 38,741,592 Shares exercisable at HK\$0.589 each
(b) 16,276,590 Shares exercisable at HK\$0.620 each	(b) 17,328,058 Shares exercisable at HK\$0.582 each
(c) 92,500,000 Shares exercisable at HK\$0.51 each	(c) 98,475,500 Shares exercisable at HK\$0.479 each
<b>(ii) Prior to the effect of the Open Offer and the conversion price per Share and the number of Conversion Shares subject to the outstanding Convertibles Notes:</b>	<b>New conversion price per Share number of conversion Shares after the Open Offer subject to the outstanding Convertible Notes:</b>
Convertible Notes I:	Convertible Notes I:
93,750,000 Shares at HK\$0.352	99,697,885 Shares at HK\$0.331 each
Convertible Notes II:	Convertible Notes II:
15,527,950 Shares at HK\$0.161 each	16,556,291 Shares at HK\$0.151 each

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## LETTER FROM THE BOARD

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The adjustments have been reviewed by HLB Hodgson Impey Cheng, the Company's auditors, in accordance with the supplemental guidance issued by the Stock Exchange in September 2005, the terms of the Share Option Schemes and the Convertible Notes. A copy of the letter is available for inspection as mentioned in the section headed "Documents available for inspection" in appendix III to this Prospectus.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully  
By order of the Board  
**Hua Xia Healthcare Holdings Limited**  
**Yung Kwok Leong**  
*Chairman*

## 1. FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group as extracted from the respective quarterly report for the three months ended 30 June 2008 and annual reports of the Company for the latest three financial years ended 31 March 2008 is set out below:

*Results*

	Unaudited		Audited	
	Three months ended 30 June 2008		For the year ended 31 March	
	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>				
Turnover	47,416	135,943	77,521	41,088
Profit/(loss) before taxation	12,525	(1,589)	8,096	3,655
Taxation	(4,253)	(6,184)	(1,227)	(561)
Net profit/(loss) for the period/year	8,272	(7,773)	6,869	3,094
Profit/(loss) attributable to				
– Equity holders of the Company		(17,891)	5,981	3,191
– Minority interests		10,118	888	(97)
		(7,773)	6,869	3,094

*Asset and liabilities*

	As at 31 March		
	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>			
Total assets	598,173	172,976	59,162
Total liabilities	(93,689)	(38,249)	(28,144)
Total equity	504,484	134,727	31,018

## 2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2008.

**CONSOLIDATED BALANCE SHEET**

*At 31 March 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>6</i>	31,418	14,654
Prepaid lease payments	<i>7</i>	26,880	–
Interest in associates	<i>8</i>	–	–
Available-for-sale investments	<i>9</i>	–	143
Goodwill	<i>11</i>	309,576	47,372
		<u>367,874</u>	<u>62,169</u>
<b>Current assets</b>			
Inventories	<i>14</i>	2,621	3,897
Trade and other receivables and deposits	<i>15</i>	140,819	77,104
Derivative financial instruments	<i>16</i>	514	–
Amount due from an associate	<i>8</i>	2,999	–
Pledged bank deposits	<i>35</i>	5,212	5,048
Cash and bank balances	<i>10</i>	78,134	24,758
		<u>230,299</u>	<u>110,807</u>
<b>Total assets</b>		<u><u>598,173</u></u>	<u><u>172,976</u></u>
<b>EQUITY:</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	<i>17</i>	89,902	54,105
Reserves		387,900	77,201
		<u>477,802</u>	<u>131,306</u>
<b>Minority interests</b>		<u>26,682</u>	<u>3,421</u>
<b>Total equity</b>		<u>504,484</u>	<u>134,727</u>



**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	47,323	12,338
Obligations under finance leases			
due within one year	20	–	297
Amounts due to directors	21	–	736
Amount due to minority shareholders	21	11,913	15,323
Secured short-term bank loan	22	–	6,000
Convertible notes	23(a)	2,388	–
Tax payable		510	1,227
		<u>62,134</u>	<u>35,921</u>
<b>Long-term liabilities</b>			
Convertible notes	23(b)	31,374	2,328
Deferred taxation	38	181	–
		<u>31,555</u>	<u>2,328</u>
<b>Total liabilities</b>		<u>93,689</u>	<u>38,249</u>
<b>Total equity and liabilities</b>		<u>598,173</u>	<u>172,976</u>
<b>Net current assets</b>		<u>168,165</u>	<u>74,886</u>
<b>Total assets less current liabilities</b>		<u>536,039</u>	<u>137,055</u>

The accompanying notes form an integral part of the consolidated financial statements.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
**BALANCE SHEET**
*At 31 March 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	<i>13</i>	259,739	4,280
<b>Current assets</b>			
Prepayment, deposits and other receivables	<i>15</i>	26,979	250
Derivative financial instruments	<i>16</i>	514	–
Cash and bank balances		63,248	7,644
Amounts due from subsidiaries	<i>13</i>	140,735	104,442
		<u>231,476</u>	<u>112,336</u>
<b>Total assets</b>		<u><u>491,215</u></u>	<u><u>116,616</u></u>
<b>Equity:</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	<i>17</i>	89,902	54,105
Reserves	<i>18</i>	325,978	54,033
		<u>415,880</u>	<u>108,138</u>
<b>Total equity</b>		<u>415,880</u>	<u>108,138</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables		1,240	912
Financial guarantee contracts		1,074	4,280
Convertible notes	<i>23(a)</i>	2,388	–
Amounts due to subsidiaries	<i>13</i>	39,078	958
		<u>43,780</u>	<u>6,150</u>
<b>Long-term liabilities</b>			
Convertible notes	<i>23(b)</i>	31,374	2,328
Deferred taxation	<i>38</i>	181	–
		<u>31,555</u>	<u>2,328</u>
<b>Total liabilities</b>		<u>75,335</u>	<u>8,478</u>
<b>Total equity and liabilities</b>		<u><u>491,215</u></u>	<u><u>116,616</u></u>
<b>Net current assets</b>		<u><u>187,696</u></u>	<u><u>106,186</u></u>
<b>Total assets less current liabilities</b>		<u><u>447,435</u></u>	<u><u>110,466</u></u>

The accompanying notes form an integral part of the consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover	25	114,165	33,697
Cost of sales		(39,574)	(3,373)
Gross profit		74,591	30,324
Other revenue	25	3,351	498
Other income	27	6,901	–
Selling and distribution expenses		(5,692)	(408)
Administrative expenses		(35,602)	(19,524)
Impairment loss on goodwill		(30,318)	–
Loss on disposal of subsidiaries	37(c)	(14,580)	–
Provision for impairment on trade and other receivables		–	(67)
(Loss)/Profit from operations	27	(1,349)	10,823
Finance costs	30	(3,405)	(909)
(Loss)/Profit before taxation		(4,754)	9,914
Taxation	31	(6,176)	(1,227)
(Loss)/Profit for the year from continuing operations		(10,930)	8,687
<b>Discontinued operations</b>			
Profit/(Loss) for the year from discontinued operations	26	3,157	(1,818)
(Loss)/Profit for the year		(7,773)	6,869
Attributable to:			
Equity holders of the Company		(17,891)	5,981
Minority interests		10,118	888
		(7,773)	6,869
Dividends	34	–	–

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**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
From continuing and discontinued operations			
– basic	33	<u>HK(1.06) cents</u>	<u>HK0.93 cents</u>
– diluted	33	<u>HK(1.06) cents</u>	<u>HK0.71 cents</u>
From continuing operations			
– basic	33	<u>HK(1.24) cents</u>	<u>HK1.22 cents</u>
– diluted	33	<u>HK(1.24) cents</u>	<u>HK0.91 cents</u>

The accompanying notes form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2008

	Attributable to the equity holders of the Company											
	Share capital	Share premium	Warrant reserve	Special reserve	Translation reserve	Share-based payment reserve	Convertible notes reserves	Statutory expansion fund	Statutory reserve	Accumulated losses	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000
Total equity at 1 April 2006	17,247	60,764	-	2,935	453	113	499	37	37	(51,103)	36	31,018
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	1,154	-	-	-	-	-	-	1,154
Net income recognised directly in equity	-	-	-	-	1,154	-	-	-	-	-	-	1,154
Profit for the year	-	-	-	-	-	-	-	-	-	5,981	888	6,869
Total income for the year	-	-	-	-	1,154	-	-	-	-	5,981	888	8,023
Issue of shares	24,076	81,226	-	-	-	-	-	-	-	-	-	105,302
Rights issues	8,623	1,725	-	-	-	-	-	-	-	-	-	10,348
Issuing expenses	-	(2,753)	-	-	-	-	-	-	-	-	-	(2,753)
Share-based payment expenses	-	-	-	-	-	5,000	-	-	-	-	-	5,000
Exercise of share options	242	141	-	-	-	-	-	-	-	-	-	383
Transfer to share premium upon exercise of share option	-	113	-	-	-	(113)	-	-	-	-	-	-
Conversion of convertible notes	3,917	11,165	-	-	-	-	(430)	-	-	-	-	14,652
Issue of warrants	-	-	2,068	-	-	-	-	-	-	-	-	2,068
Issuing expenses of warrants	-	-	(231)	-	-	-	-	-	-	-	-	(231)
Special reserve arise on acquisition of a subsidiary	-	-	-	(41,580)	-	-	-	-	-	-	-	(41,580)
Increase in minority interest resulting from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,497	2,497
Transfer to reserve	-	-	-	-	-	-	-	112	112	(224)	-	-
Total equity at 31 March 2007 and 1 April 2007	54,105	152,381	1,837	(38,645)	1,607	5,000	69	149	149	(45,346)	3,421	134,727
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	10,050	-	-	-	-	-	-	10,050
Net income recognised directly in equity	-	-	-	-	10,050	-	-	-	-	-	-	10,050
Loss for the year	-	-	-	-	-	-	-	-	-	(17,891)	10,118	(7,773)
Total income for the year	-	-	-	-	10,050	-	-	-	-	(17,891)	10,118	2,277

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

	Attributable to the equity holders of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i> <i>(Note (c))</i>	Special reserve <i>HK\$'000</i> <i>(Note (a))</i>	Translation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Convertible notes reserves <i>HK\$'000</i>	Statutory enterprise expansion fund <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note (b))</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Issue of shares	35,746	278,086	-	-	-	-	-	-	-	-	-	313,832
Issuing expenses	-	(7,840)	-	-	-	-	-	-	-	-	-	(7,840)
Exercise of share options	375	3,450	-	-	-	-	-	-	-	-	-	3,825
Transfer to share premium upon exercise of share options	-	288	-	-	-	(288)	-	-	-	-	-	-
Equity component of convertibles notes	-	-	-	-	-	-	25,125	-	-	-	-	25,125
Special reserve arise on acquisition of a subsidiaries	-	-	-	31,910	-	-	-	-	-	-	-	31,910
Increase in minority interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	13,143	13,143
Warrant reserve transferred to accumulated losses upon expiry of warrants	-	-	(1,837)	-	-	-	-	-	-	1,837	-	-
Release upon disposal of subsidiaries	-	-	-	-	(10,196)	-	-	(149)	(149)	-	-	(10,494)
Cancellation on repurchase of shares	(324)	(1,196)	-	-	-	-	-	-	-	-	-	(1,520)
Deferred taxation arising from issue of convertible notes	-	-	-	-	-	-	(501)	-	-	-	-	(501)
Lapsed of share option	-	-	-	-	-	(54)	-	-	-	54	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	753	(753)	-	-
<b>Total equity at 31 March 2008</b>	<b>89,902</b>	<b>425,169</b>	<b>-</b>	<b>(6,735)</b>	<b>1,461</b>	<b>4,658</b>	<b>24,693</b>	<b>-</b>	<b>753</b>	<b>(62,099)</b>	<b>26,682</b>	<b>504,484</b>

## Notes:

- (a) The special reserve amounting to approximately HK\$2,935,000 of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

The decrease in special reserve amounting to approximately HK\$41,580,000 of the Group represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2007 (*Note 36*).

The increase in special reserve amounting to approximately HK\$31,910,000 of the Group represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of subsidiaries during the year 31 March 2008 (*Note 36*).

- (b) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.
- (c) On 18 May 2006, the Company entered into conditional warrant placing agreements with two independent third parties, Triumph Sky Finance Limited and Happy Woodstock Limited, to issue 103,414,000 warrants at a price of HK\$0.02 per warrant for cash consideration by way of a private placement. Each warrant entitles the holder to subscribe for one ordinary share of the Company at an initial subscription price of HK\$0.62 (subject to adjustment) from the date of issue to 4 December 2007. Any ordinary shares falling to be issued upon the exercise of the subscription right to the warrants will rank *pari passu* in all respects with the existing fully paid ordinary shares in issue of the Company on the relevant subscription date. All warrants were expired during the year ended 31 March 2008.

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	<b>2008</b>	<b>2007</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(1,589)	8,096
Adjustments for:		
Interest income	(2,642)	(503)
Interest expenses	3,465	949
Impairment loss on goodwill	30,318	1,893
Amortisation of prepaid lease payments	727	–
Depreciation of property, plant and equipment	6,329	2,262
Loss on disposal of property, plant and equipment	580	317
Impairment loss on property, plant and equipment	–	23
Gain on disposal of subsidiaries	(4,634)	–
Loss on disposal of subsidiaries	14,580	–
Provision for impairment of trade and other receivables	–	67
Provision for obsolete inventories	592	66
Reversal of trade and other payables	(142)	–
Derecognition of derivative financial instruments	188	–
Share-based payment expenses	–	5,000
Operating cash inflows before movements in working capital	47,772	18,170
Increase/(decrease) in inventories	2,188	(713)
Increase in trade and other receivables and deposits	(92,044)	(21,276)
Increase in amount due from an associate	(2,999)	–
Decrease/(increase) in trade and other payables	(28,876)	1,233
Decrease in amount due to minority shareholders	(3,410)	–
(Decrease)/increase in amounts due to directors	(736)	81
Net cash used in operations	(78,105)	(2,505)
Overseas tax paid	(7,221)	(581)
Hong Kong Profits Tax paid	–	13
Net cash used in operating activities	(85,326)	(3,073)



**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<b>2008</b>	<b>2007</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,642	503
Purchase of property, plant and equipment	(11,858)	(1,620)
Proceeds from disposal of property, plant and equipment	–	322
Net cash outflow from acquisition of subsidiaries	(68,444)	(19,917)
Net cash inflow from disposal of subsidiaries	12,215	–
Increase in pledged bank deposits	(164)	(4,955)
	<hr/>	<hr/>
Net cash used in investing activities	(65,609)	(25,667)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,121)	(732)
Proceeds from issue of shares	218,884	28,442
Issue costs of shares	(7,840)	(2,753)
Proceeds from right issue	–	10,348
Proceeds from exercise of share options	3,825	383
Payment for repurchase of shares	(1,520)	–
Proceeds from issue of warrants	–	2,068
Issue costs of warrants	–	(231)
Repayment of promissory notes	(12,097)	–
Repayment of finance leases	(297)	(111)
New short-term bank loans	–	6,000
Repayment of short-term bank loan	(6,000)	–
	<hr/>	<hr/>
Net cash generated from financing activities	193,834	43,414
<b>Net increase in cash and cash equivalents</b>	<b>42,899</b>	<b>14,674</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>24,758</b>	<b>8,992</b>
Effect of foreign currency exchange rate changes	10,477	1,092
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>78,134</b>	<b>24,758</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	78,134	24,758
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 March 2008

**1. Corporate information**

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 GT George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services and healthcare and hospital management services in the PRC. In addition, it was engaged in the manufacture and sales of environmental protection products as well as provision of related services, manufacture and sales of melamine and its related products during the year.

**2. Application of new and revised Hong Kong financial reporting standards (“HKFRSs”)**

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKFRS 2 (Amendment)	Share-based Payment <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>4</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange and by the Hong Kong Companies Ordinance.

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

***Basis of preparation***

The measured basis used in the preparation of the financial statements is historical cost convention and modified the revaluation of available-for-sale financial assets, which are carried at fair value.

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 March 2008. 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 income statement from the effective date of acquisition or 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 on consolidation.

***Business combinations***

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is 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 meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### ***Goodwill***

#### *Goodwill arising on acquisitions prior to 1 January 2006*

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1 January 2006 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or the relevant jointly controlled entity at the date of acquisition.

For previously, capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1 January 2006 onwards, and such goodwill (net of cumulative amortisation as at 31 December 2006) is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policies below).

#### *Goodwill arising on acquisitions on or after 1 January 2006*

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1 January 2006 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each assets in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### ***Subsidiaries***

A subsidiary is a company in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### ***Revenue recognition***

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from provision of environmental analyses, measurement and environmental protection services is recognised when the services are provided.

Revenue from provision of hospital service, healthcare and hospital management service is recognised when the services are provided.

Revenue from installation of wastewater treatment system is recognised using the percentage of completion method, measured principally by the percentage of costs incurred to the total estimated cost to complete the contract.

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### ***Leasing***

Leases are classified as finance leases whenever the terms of the leases 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 the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Assets held under finance assets are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

*Property, plant and equipment*

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	20%
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%
Office equipment	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

*Intangible assets**Operation rights and intellectual property*

Acquired operation rights and intellectual property are stated at cost less amortisation and any identified impairment loss. Amortisation is calculated on a straight-line basis over their estimated useful economic lives.



***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

***Impairment of assets (other than goodwill, intangible assets with indefinite lives)***

At each balance sheet date, 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 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 an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

***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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and deferred tax assets are recognised to the extent that it is probable that it is probable that taxable profits will be available against which 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 the other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to consolidated income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

*Financial instruments*

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

*Financial assets*

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular 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. The accounting policies adopted in respect of each category of financial assets are set out below.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses were recognised, subject to a restriction that the carrying amount of the asset at the date the impairment losses reversed do not exceed what the amortised cost would have been had the impairment losses not been recognised.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in consolidated income statement. Impairment losses on available-for-sale equity investments will not be reversed in subsequent years.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent years.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions 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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

### Convertible bond

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately in respective liability and equity components on initial recognition. 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 proceeds of the issue of the convertible bond and the fair value assigned to the liability component, respecting the embedded call option for the holder to convert the bond into equity, is included in equity (convertible bond – equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond – equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond – equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond – equity reserve will be released to the retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transactions costs relating to the equity component are charged directly to convertible bond – equity reserve. 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 bond using the effective interest method.

### Equity instruments

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

### *Financial guarantee contract*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Company and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

***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, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

Financial liabilities are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in consolidated income statement.

***Foreign currencies****i. Functional and presentation currency*

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The combined financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Company and the Group.

*ii. Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

*iii. Group companies*

The results and financial positions of all the companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities are translated at the closing rate;
- (b) Income and expenses are translated at average exchange rates; and
- (c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

***Current assets and liabilities***

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

***Contingent liabilities and contingent assets***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

#### ***Cash and cash equivalents***

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprises of cash in hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### ***Provisions***

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

#### ***Employee benefits***

- i.* Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- ii.* Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the consolidated income statement as incurred.



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

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### ***Borrowing costs***

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated income statement in the period in which the costs are incurred.

### ***Segments reporting***

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

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

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

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financial expenses, and corporate revenue.

#### **4. Key sources of estimation uncertainty**

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### ***(a) Estimated impairment of intangible assets and goodwill***

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

##### ***(b) Impairment of trade receivables***

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts

are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

***(c) Useful lives of property, plant and equipment***

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

***(d) Impairment of non-current assets***

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgment from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the assets residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

***(e) Income taxes and deferred taxation***

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**(f) *Measurement of convertible notes***

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

**(g) *Measurement of fair value of equity-settled transactions***

The Company operates share option schemes under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

**5. Segment information**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

*Geographical segments*

The Group's operations are located in Hong Kong, the PRC and Korea, representing the basis on which the Group reports its primary segment information. The following table provides an analysis of the Group's geographical segment information.

	Turnover		Results	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Hong Kong	653	640	(3,741)	(244)
PRC	113,512	33,057	12,086	26,732
	<u>114,165</u>	<u>33,697</u>	<u>8,345</u>	<u>26,488</u>
<b>Discontinued operations</b>				
PRC	15,572	21,907	2,148	998
Korea	6,206	21,917	1,017	(2,816)
	<u>21,778</u>	<u>43,824</u>	<u>3,165</u>	<u>(1,818)</u>
	<u>135,943</u>	<u>77,521</u>	11,510	24,670
Unallocated other revenue			3,351	586
Unallocated other income			6,901	–
Unallocated corporate expenses			(19,946)	(16,251)
Profit from operations			1,816	9,005
Finance costs			(3,405)	(909)
(Loss)/Profit before taxation			(1,589)	8,096
Taxation			(6,184)	(1,227)
(Loss)/Profit for the year			<u>(7,773)</u>	<u>6,869</u>

*Consolidated balance sheet*

	Segment assets		Segment liabilities	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	166,418	25,251	35,683	17,426
PRC	431,755	68,169	58,006	9,014
Singapore	–	–	–	200
Korea	–	2,378	–	2,156
	<u>598,173</u>	<u>95,798</u>	<u>93,689</u>	<u>28,796</u>
Unallocated	–	77,178	–	9,453
	<u>598,173</u>	<u>172,976</u>	<u>93,689</u>	<u>38,249</u>

*Other information*

	Capital additions		Depreciation and amortisation	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Hong Kong	–	120	162	348
PRC	64,532	2,683	5,371	192
	<u>64,532</u>	<u>2,803</u>	<u>5,533</u>	<u>540</u>
<b>Discontinued operations</b>				
PRC	–	–	1,290	1,331
Korea	–	270	233	391
	<u>–</u>	<u>270</u>	<u>1,523</u>	<u>1,722</u>
	<u>64,532</u>	<u>3,073</u>	<u>7,056</u>	<u>2,262</u>

	Loss on disposal of property, plant and equipment		Provision for impairment loss on trade and other receivables	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>				
PRC	229	–	–	–
Hong Kong	–	317	–	67
	<u>229</u>	<u>317</u>	<u>–</u>	<u>67</u>
<b>Discontinued operations</b>				
PRC	351	–	–	–
	<u>580</u>	<u>317</u>	<u>–</u>	<u>67</u>

	Impairment of goodwill	
	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>		
PRC	30,318	–
<b>Discontinued operations</b>		
Korea	–	1,893
	<u>30,318</u>	<u>1,893</u>

### ***Business segments***

The Group is engaged in: (1) manufacture and sales of environmental protection products; (2) provision of general hospital services; and (3) provision of healthcare and hospital management service. During the year ended 31 March 2008, the Group had disposed its installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services business and manufacture and sale of melamine and its related products business.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
**2008**

	Continuing operations		Discontinued operations				
	Manufacture and sales of environmental protection products <i>HK\$'000</i>	Provision of general hospital services <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement related products <i>HK\$'000</i>	Manufacture and sales of melamine and its related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	653	67,759	45,753	6,206	15,572	–	135,943
Segment assets	1,674	414,370	14,119	–	–	168,010	598,173
Capital additions	–	64,532	–	–	–	–	64,532

**2007**

	Continuing operations		Discontinued operations				
	Manufacture and sales of environmental protection products <i>HK\$'000</i>	Provision of healthcare and hospital management services <i>HK\$'000</i>	provision of environmental analyses and measurement related products <i>HK\$'000</i>	Installation, engineering and management of wastewater treatment systems and environmental facilities,	Manufacture and sales of melamine and its related products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	640	33,057	21,917		21,907	–	77,521
Segment assets	707	34,528	10,281		48,962	78,498	172,976
Capital additions	–	1,724	270		959	120	3,073



## 6. Property, plant and equipment

*The Group*

	Building HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 April 2006	-	725	1,156	13,361	1,210	2,690	19,142
Additions	-	140	274	218	742	246	1,620
On acquisition of a subsidiary	-	317	625	-	410	101	1,453
Exchange difference	-	23	(5)	(599)	(8)	43	(546)
Disposals	-	-	(625)	(82)	(232)	(53)	(992)
At 31 March 2007 and at 1 April 2007	-	1,205	1,425	12,898	2,122	3,027	20,677
Additions	-	1,340	3,010	3,702	2,948	858	11,858
On acquisition of subsidiaries	4,802	1,492	7,742	15,521	1,142	1,818	32,517
Disposals of subsidiaries	-	(1,390)	(792)	(14,001)	(1,253)	(1,878)	(19,314)
Exchange difference	-	510	(60)	742	127	14	1,333
Disposals	-	(302)	-	-	(490)	-	(792)
At 31 March 2008	4,802	2,855	11,325	18,862	4,596	3,839	46,279
<b>Depreciation and impairment</b>							
At 1 April 2006	-	510	460	1,078	605	1,904	4,557
On acquisition of a subsidiary	-	74	25	-	19	21	139
Provided for the year	-	132	252	1,178	252	448	2,262
Written back on disposals	-	-	(25)	(79)	(213)	(36)	(353)
Impairment loss	-	23	-	-	-	-	23
Exchange difference	-	20	-	(666)	12	29	(605)
At 31 March 2007 and at 1 April 2007	-	759	712	1,511	675	2,366	6,023
On acquisition of subsidiaries	36	777	1,819	4,213	559	918	8,322
Disposals of subsidiaries	-	(869)	(608)	(2,887)	(259)	(1,264)	(5,887)
Provided for the year	139	445	900	4,032	516	297	6,329
Written back on disposals	-	(73)	-	-	(139)	-	(212)
Exchange difference	-	13	5	246	19	3	286
At 31 March 2008	175	1,052	2,828	7,115	1,371	2,320	14,861
<b>Net book values</b>							
At 31 March 2008	4,627	1,803	8,497	11,747	3,225	1,519	31,418
At 31 March 2007	-	446	713	11,387	1,447	661	14,654

As at 31 March 2007, the net book value of property, plant and equipment held under finance leases was approximately HK\$351,000.

The building was held outside Hong Kong under medium term lease.

## 7. Prepaid lease payments

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	27,752	–
	<u>27,752</u>	<u>–</u>
Analysed for reporting purposes as:		
Current assets (include in trade and other receivables and deposits)	872	–
Non-current assets	26,880	–
	<u>26,880</u>	<u>–</u>
	<u>27,752</u>	<u>–</u>

## 8. Interest in associates

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	–	–
	<u>–</u>	<u>–</u>
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from an associate	2,999	–
	<u>2,999</u>	<u>–</u>

The amount due from an associate is unsecured, interest free & has no fixed terms of repayment. The directors considered that the carrying amount of amount due from associate approximates its fair value.

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

Particulars of the Group's principal associates at 31 March 2008 are as follows:–

Name of associate	Place of incorporation/ registration	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
United First Investment Limited	British Virgin Islands	40%	100 shares of US\$1 each	Provision of dental services
福建康華企業管理 諮詢有限公司	PRC	40%	HK\$5,500,000	Dormant

The summarised financial information in respect of the Group's associates is set out below:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total assets	7,894	1
Total liabilities	(7,615)	(1)
Net assets	<u>279</u>	<u>–</u>
Group's share of net assets of associates	<u>–</u>	<u>–</u>
Turnover	<u>–</u>	<u>–</u>
Loss for the year	<u>(32)</u>	<u>–</u>
Group's share of result of associates for the year	<u>–</u>	<u>–</u>

## 9. Available-for-sale investments

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted debt securities	–	143

## 10. Cash and bank balances

As at 31 March 2008, the cash and bank balances of the Group included currencies denominated in Renminbi (“RMB”) amounted to approximately HK\$14,308,000 respectively which is not freely convertible into other currencies.

## 11. Goodwill

	<b>The Group</b>
	<i>HK\$'000</i>
<b>Cost</b>	
At 1 April 2006	1,893
Arising from acquisition of a subsidiary during the year	47,372
At 31 March 2007	49,265
Arising from acquisition of subsidiaries during the year	309,576
Disposal of subsidiaries	(17,054)
At 31 March 2008	341,787
<b>Impairment</b>	
At 1 April 2006	–
Impairment loss recognised	1,893
At 31 March 2007	1,893
Impairment loss recognised	30,318
At 31 March 2008	32,211
<b>Carrying value</b>	
At 31 March 2008	309,576
At 31 March 2007	47,372

*Notes:*

- (a) During the year ended 31 March 2008, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's provision of healthcare and hospital management services in PRC was impaired by approximately HK\$30,318,000. The recoverable amount of the operations was assessed by reference to value in use. A discount factor of 4.5% per annum was applied in the value in use model.

During the year ended 31 March 2008, the Group disposed of the entire issued share capital of a subsidiary, Shine Concord Enterprises Limited (*Note 37(c)*), which was one of the cash generating units of the Group's provision of hospital management services

- (b) During the year ended 31 March 2007, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services in Korea was impaired by approximately HK\$1,893,000. The recoverable amount of the operations was assessed by reference to value in use. A discount factor of 5% per annum was applied in the value in use model.

Particulars regarding impairment testing on goodwill are disclosed in Note 12 to the financial statements.

## 12. Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 11 has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2008 is allocated as follows:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of general hospital and healthcare services in PRC	309,576	–
Provision of hospital management services in PRC	–	47,372
	<u>309,576</u>	<u>47,372</u>

*(a) Provision of general and healthcare hospital services in PRC*

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period, and a discount rate of 12.02% per annum. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

*(b) Provision of hospital management service in PRC*

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period, and a discount rate of 4.5% per annum. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

**13. Interests in subsidiaries**

	<b>The Company</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at costs	261,266	5,807
<i>Less: Impairment in value</i>	(1,527)	(1,527)
	<u>259,739</u>	<u>4,280</u>
Advance to a subsidiary	13,000	13,000
<i>Less: Impairment loss recognised on advance to a subsidiary</i>	(13,000)	(13,000)
	<u>—</u>	<u>—</u>
	<u><u>259,739</u></u>	<u><u>4,280</u></u>

The advance to a subsidiary is unsecured, interest free and has no fixed terms of repayment. The directors considered that the carrying amount of advance to a subsidiary approximates its fair value.

The amounts due from/(to) subsidiaries are unsecured, interest free and has no fixed terms of repayment. The directors considered that the carrying amounts of amounts due from/(to) subsidiaries approximate their fair value.

Details of the Company's principal subsidiaries at 31 March 2008 are set out in Note 45 to the financial statements.

#### 14. Inventories

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	–	1,479
Work in progress	–	1,030
Finished goods	3,213	1,454
	<u>3,213</u>	<u>3,963</u>
<i>Less: Provision for obsolete inventories</i>	<i>(592)</i>	<i>(66)</i>
	<u>2,621</u>	<u>3,897</u>

## 15. Trade and other receivables and deposits

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	6,625	22,894	–	–
Deposits made to suppliers	–	22,392	–	–
Deposits paid under a conditional sale and purchase agreement (Note 44(a))	68,600	11,250	–	–
Deposits paid	19,604	19,489	685	–
Prepayments	10,406	517	124	–
Prepaid lease payments	872	–	–	–
Other receivables	34,712	562	26,170	250
	<u>140,819</u>	<u>77,104</u>	<u>26,979</u>	<u>250</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 30 to 90 days of issuance, except for certain well established customers where it is normally payable from 1 to 3 years of issuance. The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
0 to 90 days	5,761	19,981
91 to 180 days	381	1,201
181 to 365 days	–	–
Over 365 days	698	2,703
	<u>6,840</u>	<u>23,885</u>
Less: Allowance for doubtful debts	<u>(215)</u>	<u>(991)</u>
	<u>6,625</u>	<u>22,894</u>



*Movements in the allowance for doubtful debts*

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	991	3,566
Amounts written off as uncollectible	(776)	(2,642)
Impairment losses recognised on receivables	–	67
	<hr/>	<hr/>
At 31 March	<u>215</u>	<u>991</u>

*Ageing of impaired trade receivables*

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Over 365 days	<u>215</u>	<u>991</u>

The directors consider that the carrying amounts of trade and other receivables and deposits approximate their fair values.

## 16. Derivative financial instruments

*The Group and the Company*

	<b>Redemption option contract</b> <i>HK\$'000</i>
At 1 April 2006, 31 March 2007 and at 1 April 2007	–
Arising on issuance of convertible notes	
for acquisition of subsidiaries ( <i>Note (a)</i> )	514
Arising on issuance of promissory notes	
for acquisition of subsidiaries ( <i>Note (b)</i> )	188
Derecognised upon repayment of promissory notes	(188)
	<hr/>
At 31 March 2008	<u>514</u>

*Notes:*

- (a) Pursuant to the agreement in relation to the issuance of convertible notes of HK\$33,000,000 as consideration of acquisition of the entire issued share capital of Hero Vision Limited (*Note 36(a)*), a redemption option is held by the Company. The Company may at any time six months from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible note to be redeemed.
- (b) Pursuant to the agreement in relation to the issuance of promissory notes of HK\$12,097,360 as consideration of acquisition of the entire issued share capital of Hero Vision Limited (*Note 36(a)*), a redemption option is held by the Company. The Company may at any time three months from the date of issue of the promissory notes up to the date immediately before the maturity date of the promissory notes, redeem the promissory notes (in whole or in part) at the principal amount of the promissory note to be redeemed. The promissory note was redeemed during the year ended 31 March 2008.
- (c) The fair values of derivative financial instruments are determined in accordance with generally accepted pricing model. The fair values are estimated using Black-Scholes option pricing mode.



*Notes:*

- (a) Pursuant to the ordinary resolution passed by the shareholders in the special general meeting held on 9 May 2006, the authorised share capital of the Company increased from HK\$30,000,000 divided into 600,000,000 shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 shares of HK\$0.05 each by the creation of an additional 1,400,000,000 un-issued shares of HK\$0.05 each.
- (b) Pursuant to the ordinary resolution passed by the shareholders in the special general meeting held on 9 March 2007, the authorised share capital of the Company increased from HK\$100,000,000 divided into 2,000,000,000 shares of HK\$0.05 each to HK\$250,000,000 divided into 5,000,000,000 shares of HK\$0.05 each by the creation of an additional 3,000,000,000 un-issued shares of HK\$0.05 each.
- (c) On 11 April 2006, the Company issued 172,465,166 rights shares at a subscription price of HK\$0.06 each on the basis of one rights share for every two existing shares held on the record date. The net proceeds from the right issue were approximately HK\$9,350,000. The net proceeds of HK\$0.5 million were used for general working capital of the Group and the balance towards projects of investments in the healthcare sector.
- (d) On 24 November 2006, the Group acquired 76% interest of the issued share capital of Day View Group Limited and the loan from shareholders for a consideration of approximately HK\$96,860,000 and was settled by cash of approximately HK\$20,000,000 and the issue of 126,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.61 each.
- (e) On 16 February 2007, the Company issued 355,523,083 offer shares by an open offer at a subscription price of HK\$0.08 per offer share on the basis of one offer share for every two shares held on record date. The net proceeds of approximately HK\$23,060,000 were be used to finance future investments including the joint ventures with Town Health International Holdings Company Limited and approximately HK\$3,000,000 towards general working capital of the Group.
- (f) On 13 March 2007, the Company entered into a placing agreement with the placing agent in relation to the placing of 200,000,000 shares at an issue price of HK\$0.352 per share. The placing was completed on 24 April 2007. The net proceeds from the placing of approximately HK\$68,359,000 will be used for partial payment of the consideration of the acquisition of Hero Vision Enterprises Limited (“Hero Vision”), future business development of the Group and general working capital of the Group. For further details, please refer to the Company’s announcements dated 20 March 2007 and 24 April 2007 respectively.
- (g) On 9 May 2007, a wholly owned subsidiary of the Group, Wisdom Rise Group Limited (“Wisdom Rise”), acquired the entire issued share capital of Hero Vision for a consideration of approximately HK\$157,300,000 and part of the consideration of HK\$59,952,640 was settled by issue of 170,320,000 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.352 each.

- (h) On 15 May 2007, the Company entered into a subscription agreement in relation to the subscription of 256,000,000 shares at an issue price of HK\$0.58 per share. The subscription was completed on 28 May 2007. The net proceeds from the placing of approximately HK\$143,258,000 will be used for future investment in healthcare section in PRC and general working capital of the Group. For further details, please refer to the Company's announcements dated 17 May 2007 and 28 May 2007 respectively.
- (i) On 8 October 2007, a wholly owned subsidiary of the Group, Mega Mix Group Limited ("Mega Mix"), acquired the entire issued share capital of Merry Sky Investments Limited ("Merry Sky"), loan from shareholders and subscription of 8,999 shares of Merry Sky for a consideration of approximately HK\$80,850,000 and part of the consideration of HK\$35,000,000 was settled by issue of 88,607,595 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.395 each.
- (j) During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Date of repurchase	No. of ordinary shares at HK\$0.05 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
13 November 2007	420	0.265	0.265	111
22 November 2007	1,420	0.26	0.25	362
26 November 2007	480	0.25	0.25	120
27 November 2007	300	0.246	0.245	74
28 November 2007	360	0.25	0.24	89
29 November 2007	200	0.25	0.25	50
6 December 2007	140	0.247	0.246	35
10 December 2007	460	0.234	0.23	107
11 December 2007	100	0.23	0.23	23
13 December 2007	400	0.227	0.226	91
14 December 2007	300	0.214	0.214	64
21 December 2007	100	0.223	0.223	22
24 December 2007	200	0.25	0.25	50
11 January 2008	300	0.206	0.206	62
14 January 2008	100	0.204	0.204	20
15 January 2008	1,200	0.20010	0.20010	240

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

## 18. Reserves

*The Company*

	Share premium <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	60,764	113	-	1,452	499	(97,322)	(34,494)
Premium arising on issue of shares	81,226	-	-	-	-	-	81,226
Premium arising on rights issue	1,725	-	-	-	-	-	1,725
Issuing expenses	(2,753)	-	-	-	-	-	(2,753)
Share-based payment expenses	-	5,000	-	-	-	-	5,000
Premium arising on exercise of share options	141	-	-	-	-	-	141
Transfer to share premium upon exercise of share options	113	(113)	-	-	-	-	-
Conversion of convertible notes	11,165	-	-	-	(430)	-	10,735
Issue of warrants	-	-	1,837	-	-	-	1,837
Loss for the year	-	-	-	-	-	(9,384)	(9,384)
At March 2007	152,381	5,000	1,837	1,452	69	(106,706)	54,033
Premium arising on issue of shares	278,086	-	-	-	-	-	278,086
Issuing expenses	(7,840)	-	-	-	-	-	(7,840)
Equity component of convertible notes	-	-	-	-	25,125	-	25,125
Premium arising on exercise of share options	3,450	-	-	-	-	-	3,450
Transfer to share premium upon exercise of share options	288	(288)	-	-	-	-	-
Warrant reserve transferred to accumulated losses upon expiry of warrants	-	-	(1,837)	-	-	1,837	-
Deferred taxation arising from issue of convertible notes	-	-	-	-	(501)	-	(501)
Cancellation on repurchase of shares	(1,196)	-	-	-	-	-	(1,196)
Lapse of share options	-	(54)	-	-	-	54	-
Loss for the year	-	-	-	-	-	(25,179)	(25,179)
At March 2008	425,169	4,658	-	1,452	24,693	(129,994)	325,978

- (a) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2001 and the nominal amount of the Company's shares issued for the acquisition.

- (b) On 18 May 2006, the Company entered into conditional warrant placing agreements with two independent third parties, Triumph Sky Finance Limited and Happy Woodstock Limited, to issue 103,414,000 warrants at a price of HK\$0.02 per warrant for cash consideration by way of a private placement. Each warrant entitles the holder to subscribe for one ordinary share of the Company at an initial subscription price of HK\$0.62 (subject to adjustment) from the date of issue to 4 December 2007. Any ordinary shares falling to be issued upon the exercise of the subscription right to the warrants will rank *pari passu* in all respects with the existing fully paid ordinary shares of the Company. All warrants were expired during the year ended 31 March 2008.
- (c) The Company had distributable reserves of approximately HK\$295,175,000 as at 31 March 2008 (2007: HK\$45,675,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

#### 19. Trade and other payables

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	21,919	3,747
Value-added tax payables	–	2,597
Accruals and other payables	25,404	5,994
	<u>47,323</u>	<u>12,338</u>

The following is an aged analysis of trade payables at the balance sheet date:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	4,192	2,151
91 to 180 days	17,421	407
181 to 365 days	–	784
Over 365 days	306	405
	<u>21,919</u>	<u>3,747</u>

*Note:* The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

## 20. Obligations under finance leases

	<b>The Group</b>			
	<b>Minimum</b>		<b>Present value of</b>	
	<b>lease payments</b>		<b>minimum</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount payable under finance leases:				
Within one year	–	380	–	297
In the second to fifth years	–	–	–	–
	–	380	–	297
<i>Less:</i> Future finance charges	–	(83)	–	–
	–	297	–	297
<i>Present value of lease obligations</i>	–	297	–	297
<i>Less:</i> Amount due within one year shown under current liabilities	–	(297)	–	–
<i>Amount due after one year</i>	–	–	–	–

*Note:* The directors consider that the carrying amounts of obligations under finance lease approximate their fair values.



**21. Amounts due to directors/minority shareholders**

Amounts due to directors/minority shareholders are unsecured, interest free and have no fixed terms of repayment. The directors consider that the carrying amounts of amounts due to directors and minority shareholders approximate their fair values.

**22. Secured short-term bank loan**

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured short-term bank loans	–	6,000

The amount represents short-term bank borrowings of HK\$6,000,000 which was repayable on demand and secured by bank deposits amounting to approximately HK\$5,048,000 as at 31 March 2007. The weighted average effective interest rate on the bank loans was 4.7% per annum.

**23. Convertible notes**

- (a) On 25 November 2005, the Company entered into a placing agreement with an independent placing agent, Hantec Capital Limited (the “Placing Agent”), to place on a best endeavours basis of certain unsecured convertible notes in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 to placees (the “Placing Agreement”).

On 11 January 2006, completion of the Placing Agreement took place. An aggregate principal amount of HK\$18,000,000 (the “Convertible Notes 1”) have been placed through the Placing Agent and issued by the Company to 13 independent placees (the “Notes Holder”). The Convertible Notes 1 matures at the third anniversary of the issue date.

The Convertible Notes 1, if fully subscribed for and issued, are convertible into a total of approximately 67,164,179 new ordinary shares of the Company at the initial conversion price of HK\$0.268 per ordinary share (subject to adjustments).

On 11 April 2006, the Company completed the issue of 172,465,166 rights shares. Pursuant to the terms of the Convertible Notes 1, the conversion prices of the Convertible Notes 1 were adjusted accordingly. The new conversion price per share and the number of conversion shares after the rights issue subject to the Convertible Notes 1 was 86,956,521 shares exercisable at HK\$0.207 each.

On 16 February 2007, the Company completed the open offer of 355,523,083 offer shares. Pursuant to the terms of the Convertible Notes 1, the conversion prices of the Convertible Notes 1 were adjusted accordingly. The new conversion price per share and the number of conversion shares after the open offer subject to the Convertible Notes 1 was 33,816,425 shares exercisable at HK\$0.161 each.

The Convertible Notes 1 contains two components, liability and equity elements. The equity element is presented in equity heading “Convertible notes reserve”. The effective interest rate of the liability component is 6.73%.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders’ equity in convertible notes reserves.

The Convertible Notes 1 recognised in the balance sheet was calculated as follows:

	<b>The Group and the Company</b> <i>HK\$'000</i>
Face value of Convertible Notes 1 issued on 11 January 2006	18,000
Equity component	(499)
	<hr/>
Liability component on initial recognition at 11 January 2006	17,501
Transaction costs	(827)
	<hr/>
Amortised cost on initial recognition 11 January 2006	16,674
Interest expense	246
Interest payable	(158)
	<hr/>
Amortised cost at 31 March 2006 and at 1 April 2006	16,762
Interest expense	623
Interest payable	(406)
Converted into Company's shares	(14,651)
	<hr/>
Amortised cost at 31 March 2007 and at 1 April 2007	2,328
Interest expense	160
Interest payable	(100)
	<hr/>
Amortised cost at 31 March 2008	<u>2,388</u>

During the year ended 31 March 2007, Convertible Notes 1 with an aggregate amount HK\$15,500,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 78,329,868 (*Note 17*).

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 6.73% to the liability component.

- (b) On 9 May 2007, the Group acquired the entire issued share capital of Hero Vision at a consideration of HK\$157,300,000, the consideration of HK\$33,000,000 were satisfied by the issue of convertible notes (the “Convertible Notes 2”). The Convertible Notes 2 matures at the second anniversary of the issue date.

The Convertible Notes 2, if fully subscribed for and issued, are convertible into a total of approximately 93,750,000 new ordinary shares of the Company at the initial conversion price of HK\$0.352 per ordinary share (subject to adjustments).

The Convertible Notes 2 contains three components, redemption option, liability and equity elements. The equity element is presented in equity heading “Convertible notes reserve”. The effective interest rate of the liability component is 6.816%.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders’ equity in convertible notes reserves.

The Convertible Notes 2 recognised in the balance sheet was calculated as follows:

	<b>The Group and the Company</b> <i>HK\$'000</i>
Fair value of Convertible Notes 2 issued on 9 May 2007	54,750
<i>Less:</i> Derivative financial instruments	514
Equity component	<u>(25,125)</u>
Liability component on initial recognition and amortised cost at 9 May 2007	30,139
Interest expense	1,828
Interest payable	<u>(593)</u>
Amortised cost at 31 March 2008	<u><u>31,374</u></u>

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 6.816% to the liability component.

## 24. Share option scheme

### (a) *Pre-listing share options*

Pursuant to the pre-listing share option scheme adopted by the Company on 20 April 2002, the Company may grant options at HK\$1 per offer to any directors, employees, consultants, and advisors of the Company or its subsidiaries, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. All of these options have duration of 10 years from and including 10 May 2002 subject to the terms of the scheme.

Details of the movements in the number of share options during the year under the Company's pre-listing share options scheme which are exercisable in three equal tranches from 10 November 2002, 10 May 2003 and 10 May 2004, respectively, to 9 May 2012 at an exercise price of HK\$0.409 (2007: HK\$0.409) per share are as follows:

Type of participants	Number of share options			Date of grant
	Outstanding at 31 March 2007	Adjustment during the year (Note)	Outstanding and exercisable at 31 March 2008	
Advisor	821,293	–	821,293	25 April 2002
Former employees	547,529	–	547,529	25 April 2002
Total	<u>1,368,822</u>	<u>–</u>	<u>1,368,822</u>	

**(b) Post-listing share options**

Pursuant to the post-listing share option scheme also adopted by the Company on 20 April 2002, the Company may grant options at HK\$1 per offer to any directors, employees, any supplier of goods or services, any customers, any person or entity that provides research, development or other technical support or any shareholder of the Group or any investee or any holder of any securities issued by any member of the Group or any investee, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the post-listing share option scheme shall not exceed 10% of the issued share capital of the Company from time to time. No participant shall be granted an option, if exercise in full, would result in the total number of shares already issued under all the options granted to him or her that are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue. The exercise price of the share will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

Details of the movements in the number of share options during the year are as follows:

Type of participants	Number of share options					Outstanding and exercisable at 31 March 2008	Date of grant	Exercise price per share	Exercise period
	Outstanding at 31 March 2007	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment during the year				
<b>Directors</b>									
Mr. Yung Kwok Leong	3,242,085	-	-	-	-	3,242,085	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	5,800,000	-	-	-	-	5,800,000	21 March 2007	HK\$0.51	21 March 2007 to 20 March 2017
Ms. Shum Ngai Pan	3,705,240	-	-	-	-	3,705,240	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	7,100,000	-	-	-	-	7,100,000	21 March 2007	HK\$0.51	21 March 2007 to 20 March 2017
Mr. Weng Jiaxing (resigned on 1 August 2007)	3,572,910	-	-	-	(3,572,910)	-	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	7,200,000	-	-	-	(7,200,000)	-	21 March 2007	HK\$0.51	21 March 2007 to 20 March 2017
Mr. Chen Jin Shan	6,881,160	-	-	-	-	6,881,160	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	3,900,000	-	-	-	-	3,900,000	21 March 2007	HK\$0.51	21 March 2007 to 20 March 2016
Dr. Jiang Tao	6,881,160	-	-	-	-	6,881,160	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	3,900,000	-	-	-	-	3,900,000	21 March 2007	HK\$0.51	21 March 2007 to 20 March 2017
	<u>52,182,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,772,910)</u>	<u>41,409,645</u>			
Employees	15,416,445	-	-	-	3,572,910	18,989,355	13 July 2006	HK\$0.627	13 July 2006 to 12 July 2016
	16,541,250	-	-	(66,156)	-	16,475,085	24 July 2006	HK\$0.62	24 July 2006 to 23 July 2016
	72,100,000	-	(7,500,000)	-	7,200,000	71,800,000	21 Mar 2007	HK\$0.51	21 March 2007 to 20 Mar 2017
	<u>156,240,250</u>	<u>-</u>	<u>(7,500,000)</u>	<u>(66,156)</u>	<u>-</u>	<u>148,674,085</u>			

*Notes:*

- (i) The Group recognises the fair value of share options granted as an expense in the consolidated income statement when they were granted with a corresponding increase being recognised in employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the income statement of the respective periods.
- (ii) Share options granted under the pre-listing share options scheme are not expensed as the options were all granted and vested before 7 November 2002 and not subject to requirements of HKFRS 2.

- (iii) The estimated fair value of each option granted on 7 July 2005, 13 July 2006, 24 July 2006 and 21 March 2007 are approximately HK\$0.0299, HK\$0.0226, HK\$0.0188 and HK\$0.0384.

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Date of grant	Share options grant date			
	7 July 2005	13 July 2006	24 July 2006	21 March 2007
Stock asset price	HK\$0.102	HK\$0.83	HK\$0.82	HK\$0.51
Exercise price	HK\$0.079	HK\$0.627	HK\$0.62	HK\$0.51
Expected volatility	10.23%	57.06%	44.89%	119.62%
Expected life	10 years	0.25 years	0.25 years	0.25 years
Risk-free rate	3.130%	3.984%	3.830%	3.682%
Expected dividend yield	0%	0%	0%	0%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares set out as above.

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

- (iv) On 11 April 2006, the Company completed the issue of 172,465,166 rights shares. Pursuant to the terms of the pre-listing and post-listing share options schemes, the exercise prices of the share options were adjusted accordingly. The new exercise price per share and the number of shares subject to the outstanding share options after the rights issue under the pre-listing and post-listing share option schemes are 1,034,400 shares exercisable at HK\$0.541 each and 4,848,750 shares exercisable at HK\$0.079 each respectively.
- (v) On 16 February 2007, the Company issued 355,523,083 offer shares by an open offer at a subscription price of HK\$0.08 per offer share on the basis of one offer share for every two shares held on record date. Pursuant to the terms of the pre-listing and post-listing share options schemes, the exercise prices of the share options were adjusted accordingly. The new exercise price per share and the number of shares subject to the outstanding share options after the open offer under the pre-listing and post-listing share option schemes are 1,368,822 shares exercisable at HK\$0.409 each and 39,699,000 shares exercisable at HK\$0.627 each (granted on 13 July 2006) and 16,541,250 shares exercisable at HK\$0.62 each (granted on 24 July 2006) respectively.
- (vi) As at 31 March 2008, 148,674,085 share options are exercisable.



**25. Turnover and revenue**

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the installation of, engineering and management of waste water treatment system and environmental facilities, provision of environmental analyses and measurement services, the sale of environmental protection products, provision of related services and manufacture of melamine and its related products, provision of general hospital services and provision of healthcare and hospital management services. An analysis of the Group's turnover and other revenue, for both continuing and discontinued operations, is as follows:–

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Continuing operations</i>		
<b>Turnover:</b>		
Manufacture and sales of environmental protection products	653	640
Provision of general hospital services	67,759	–
Provision of healthcare and hospital management services	45,753	33,057
	<u>114,165</u>	<u>33,697</u>
<i>Discontinued operations</i>		
<b>Turnover:</b>		
Manufacture and sales of melamine and its related products	15,572	21,907
Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services	6,206	21,917
	<u>21,778</u>	<u>43,824</u>
	<u><u>135,943</u></u>	<u><u>77,521</u></u>

	2008 HK\$'000	2007 HK\$'000
<i>Discontinued operations</i>		
<b>Other revenue:</b>		
Interest income	2,555	415
Sundry income	796	83
	<u>3,351</u>	<u>498</u>
<i>Continuing operations</i>		
<b>Other revenue:</b>		
Interest income	87	88
	<u>3,438</u>	<u>586</u>

## 26. Discontinued operations

(a) *Disposal of installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services business*

On 31 October 2007, the Company entered into a sale agreement to dispose of the Group's installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement services business. The disposal was completed on 12 December 2007. Details of the assets and liabilities disposed of are disclosed in Note 37(a).

(b) *Disposal of manufacture and sale of melamine and its related products business*

On 15 February 2008, the Company entered into a sale agreement to dispose of the Group's manufacture and sale of melamine and its related products business. The disposal was completed on 28 March 2008. Details of the assets and liabilities disposed of are disclosed in Note 37(b).

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Loss for the year from discontinued operations</b>		
Revenue	21,865	43,912
Expenses	(23,334)	(45,730)
	<u>          </u>	<u>          </u>
Loss before taxation	(1,469)	(1,818)
Taxation	(8)	–
	<u>          </u>	<u>          </u>
	(1,477)	(1,818)
Gain on disposal of operations (including approximately HK\$6,491,000 reversal of translation reserve on disposal of subsidiaries)	4,634	–
	<u>          </u>	<u>          </u>
Profit/(loss) for the year from discontinued operations	<u>          </u> <u>          </u> 3,157	<u>          </u> <u>          </u> (1,818)
<b>Cash flow from discontinued operations</b>		
Net cash flows from operating activities	73,758	904
Net cash flows from investing activities	(327)	(124)
Net cash flows from financing activities	(149)	(76)
	<u>          </u>	<u>          </u>
Net cash flows	<u>          </u> <u>          </u> 73,282	<u>          </u> <u>          </u> 704

## 27. (Loss)/profit from operations

(Loss)/profit from operations has been arrived at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' remuneration (Note 28)	2,004	2,269	–	–	2,004	2,269
Other staff's retirement benefits scheme contributions	88	65	–	425	88	490
Other staff costs	7,831	5,756	2,449	5,174	10,280	10,930
	<u>9,923</u>	<u>8,090</u>	<u>2,449</u>	<u>5,599</u>	<u>12,372</u>	<u>13,689</u>
Auditors' remuneration	880	580	–	–	880	580
Provision for impairment losses of trade and other receivables	–	67	–	–	–	67
Provision for obsolete inventories	592	66	–	–	592	66
Cost of goods sold	473	563	17,784	32,458	18,257	33,021
Amortisation of prepaid lease payments	727	–	–	–	727	–
Depreciation of property, plant and equipment – owned by the Group	4,806	540	1,523	1,624	6,329	2,164
– held under finance leases	–	–	–	98	–	98
Loss on disposal of property, plant and equipment	229	317	351	–	580	317
Operating lease rentals in respect of land and buildings	2,315	1,108	–	127	2,315	1,235
Derecognition of derivative financial instruments	188	–	–	–	188	–
Loss on disposal of subsidiaries	<u>14,580</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,580</u>	<u>–</u>
<b>and after crediting:</b>						
Other income:						
Gain on disposal of subsidiaries	–	–	4,634	–	4,634	–
Net exchange gain	6,759	–	–	–	6,759	–
Reversal of trade and other payables	142	–	–	–	142	–
	<u>6,901</u>	<u>–</u>	<u>4,634</u>	<u>–</u>	<u>11,535</u>	<u>–</u>

## 28. Directors' remuneration

The remuneration of every director for the year ended 31 March 2008 and 2007 are set out below:

	Fees		Salaries and other benefits		Performance related incentive payments		Retirement benefits scheme contributions		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Executive Directors</b>										
Yung Kwok Leong	-	-	708	416	-	-	12	-	720	416
Sham Ngai Pan (appointed on 25 April 2006)	-	-	171	525	-	-	9	-	180	525
Weng Jiaxing (resigned on 1 August 2007)	-	-	31	447	-	-	1	-	32	447
Chen Jin Shan (appointed on 25 April 2006)	-	-	60	362	-	-	-	-	60	362
Jiang Tao (appointed on 3 January 2007)	-	-	215	335	-	-	-	-	215	335
Zheng Gang (appointed on 1 August 2007)	-	-	489	-	-	-	8	-	497	-
	-	-	1,674	2,085	-	-	30	-	1,704	2,085
<b>Non-Executive Directors</b>										
Wong Yu Man, James (appointed on 20 March 2007)	-	-	115	4	-	-	5	-	120	4
<b>Independent Non-Executive Directors</b>										
Chan Ping Kuen, Francis (resigned on 1 November 2007)	35	60	-	-	-	-	-	-	35	60
Hsu William Shiu Foo, Wong Ka Wai, Jeanne (appointed on 1 November 2007)	60	60	-	-	-	-	-	-	60	60
Yu Chai Mei	25	-	-	-	-	-	-	-	25	-
	60	60	-	-	-	-	-	-	60	60
	180	180	-	-	-	-	-	-	180	180
	180	180	1,789	2,089	-	-	35	-	2,004	2,269

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

During the year ended 31 March 2007, the other benefits represented the equity-settled share-based payment expenses for share options granted to the directors amounted to approximately HK\$1,623,000.

**29. Employees' emoluments**

Three executive directors of the Company included in the aggregate emoluments of the five highest paid individuals (2007: four). The aggregate emoluments of the two (2007: one) highest paid individual is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	497	604
Retirement benefits scheme contributions	21	12
	<u>518</u>	<u>616</u>

During the year ended 31 March 2007, the other benefits represented the represented the equity-settled share-based payment expenses for share options granted to the employees amounted to approximately HK\$340,000.

None of the above five highest paid individuals received emoluments in excess of HK\$1 million.

**30. Finance costs**

	<b>Continuing</b>		<b>Discontinued</b>		<b>Consolidated</b>	
	<b>operations</b>		<b>operations</b>		<b>operations</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:						
– bank borrowings wholly repayable within five years	306	286	–	9	306	295
– finance leases	–	–	60	31	60	31
	<u>306</u>	<u>286</u>	<u>60</u>	<u>40</u>	<u>366</u>	<u>326</u>
Imputed interest on convertible notes	1,988	623	–	–	1,988	623
Imputed interest on promissory notes	1,111	–	–	–	1,111	–
	<u>3,405</u>	<u>909</u>	<u>60</u>	<u>40</u>	<u>3,465</u>	<u>949</u>

### 31. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a taxation loss for the year. Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation:						
Provision for the year						
– PRC	6,496	1,227	8	–	6,504	1,227
Deferred tax recognised during the year	(320)	–	–	–	(320)	–
	<u>6,176</u>	<u>1,227</u>	<u>8</u>	<u>–</u>	<u>6,184</u>	<u>1,227</u>

The charge for the year is reconciled to the (loss)/profit before taxation per the consolidated income statement as follows:

#### *For the year ended 31 March 2008*

	Hong Kong		PRC		Korea		Total	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
(Loss)/profit before taxation								
– Continuing operations	(17,808)		13,054		–		(4,754)	
– Discontinued operations	–		2,148		1,017		3,165	
	<u>(17,808)</u>		<u>15,202</u>		<u>1,017</u>		<u>(1,589)</u>	
Tax at applicable income tax rate	(3,116)	(17.5%)	3,801	25.0%	145	14.3%	830	52.2%
Tax effect of expenses and income not deductible or taxable for tax purposes	127	0.7%	777	5.1%	(145)	(14.3%)	759	47.9%
Tax effect of decrease in applicable tax rate	–	–	1,926	12.7%	–	–	1,926	121.2%
Tax effect of tax losses not recognised	2,669	15.0%	–	–	–	–	2,669	167.9%
Tax charge and effective tax rate for the year	<u>(320)</u>	<u>(1.8%)</u>	<u>6,504</u>	<u>42.8%</u>	<u>–</u>	<u>–</u>	<u>6,184</u>	<u>389.2%</u>

*For the year ended 31 March 2007*

	Hong Kong		PRC		Korea		Total	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Profit/(loss) before taxation								
– Continuing operations	(26,676)		36,590		–		9,914	
– Discontinued operations	–		998		(2,816)		(1,818)	
	<u>(26,676)</u>		<u>37,588</u>		<u>(2,816)</u>		<u>8,096</u>	
Tax at applicable income tax rate	(4,669)	(17.5%)	12,404	33.0%	(403)	(14.3%)	7,332	90.6%
Tax effect of expenses and income not deductible or taxable for tax purposes	(487)	(1.8%)	(11,177)	(29.7%)	403	14.3%	(11,261)	(139.1%)
Tax effect of tax losses not recognised	5,156	19.3%	–	–	–	–	5,156	63.7%
Tax charge and effective tax rate for the year	<u>–</u>	<u>–</u>	<u>1,227</u>	<u>3.3%</u>	<u>–</u>	<u>–</u>	<u>1,227</u>	<u>15.2%</u>

**32. Loss attributable to equity holders of the company**

For the year ended 31 March 2008, net loss of approximately HK\$25,179,000 (2007: HK\$9,384,000) has been dealt with in the financial statements of the Company.

**33. (Loss)/earnings per share***From continuing and discontinued operations*

The calculation of the basic and diluted (loss)/earnings per share attributable to the equity holders of the Company is based on the following data:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to equity holders of the Company	(17,891)	5,981
Interest expense on convertible notes (net of tax)	–	514
(Loss)/profit for the purpose of diluted earnings per share	<u>(17,891)</u>	<u>6,495</u>



	2008	2007
Weighted average number of ordinary shares in issue	1,694,741,344	639,693,935
Adjustments for assumed exercise of share options	–	157,609,072
Adjustments for assumed exercise of warrants	–	103,414,000
Adjustments for assumed conversion of convertible notes	–	15,527,950
	<u>1,694,741,344</u>	<u>916,244,957</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,694,741,344</u>	<u>916,244,957</u>

***From continuing operations***

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/Profit attributable to equity holders of the Company	(17,891)	5,981
Add: (Profit)/Loss for the year from discontinued operations	(3,157)	1,818
	<u>(21,048)</u>	<u>7,799</u>
Interest expense on convertible notes (net of tax)	–	514
	<u>–</u>	<u>514</u>
(Loss)/Profit for the purpose of diluted earnings per share	<u>(21,048)</u>	<u>8,313</u>

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

*From discontinued operations*

Basic earnings per share for the discontinued operations is HK0.19 cents per share (2007: loss of HK0.28 cents per share) and diluted earnings per share for the discontinued operations is HK0.19 cents per share (2007: loss of HK0.28 cents per share), based on the profit for the year from the discontinued operations of approximately HK\$3,157,000 (2007: loss of HK\$1,818,000) and the denominators detailed above for both basic and diluted loss per shares.

The calculation of diluted (loss)/profit per share for both continuing and discontinued operations did not assume the exercise of the convertible notes and share options existed at 31 March 2008 as the exercise of convertible notes and share options would reduce loss per share, therefore anti-dilutive.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares for the year ended 31 March 2007. The Company has three categories of dilutive potential ordinary shares: convertible notes, warrants and share options.

The convertible notes and warrants are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expenses of convertible notes less the tax effect.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

**34. Dividends**

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

**35. Pledged assets**

At 31 March 2008 and 31 March 2007, certain bank deposits of the Group were pledged as collateral for certain banking facilities. The Company had not pledged any assets at the balance sheet date.

**36. Acquisition of subsidiaries**

- (a) On 13 March 2007, a wholly owned subsidiary of the Company, Wisdom Rise Group Limited (“Wisdom Rise”), entered into an agreement with an independent third party (the “Vendor 1”) to acquire the entire issued share capital of Hero Vision Enterprises Limited (“Hero Vision”), all obligations, liabilities and debts owing or incurred by Hero Vision to the Vendor 1 for a consideration of approximately HK\$116,300,000. The consideration was settled by cash of HK\$11,250,000, issue of 170,320,000 ordinary shares of HK\$0.05 each of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.352 each, issue of HK\$33,000,000 convertible notes and issue of HK\$12,097,360 promissory note. The acquisition was completed on 9 May 2007. The aggregate amount of goodwill arising as a result of the acquisition is approximately HK\$194,820,000.

	<b>Acquiree's carrying amount before combination and fair value</b>
	<i>HK\$'000</i>
Net liabilities acquired:	
Property, plant and equipment	11,949
Prepaid lease payments	28,479
Inventories	301
Trade and other receivables and deposits	18,761
Cash and bank balances	13,907
Trade and other payables	(77,277)
Minority interests	(8,481)
	<hr/>
Net liabilities	(12,361)
Goodwill arising on acquisition ( <i>Note 11</i> )	194,820
	<hr/>
Total consideration at fair value	182,459
	<hr/> <hr/>
Total consideration at fair value satisfied by:	
Cash	11,250
Consideration shares	105,598
Consideration Notes 2	54,750
Promissory notes	10,861
	<hr/>
	182,459
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash consideration paid	(11,250)
Cash and bank balances acquired	13,907
	<hr/>
	2,657
	<hr/> <hr/>

*Notes:*

- (i) The contracted value of the acquisition was HK\$116,300,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK\$66,159,000.
  - (ii) The fair value of the consideration shares is determined based on the quoted closing price of the Company's share of HK\$0.62 at the date of acquisition and 170,320,000 shares.
  - (iii) If the acquisition had been completed on 1 April 2007, total Group turnover for the year would have been approximately HK\$115,529,000, and loss for the year would have been approximately HK\$7,429,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.
  - (iv) The subsidiary acquired during the year contributed approximately HK\$68,878,000 to the Group's turnover and profit after tax of approximately HK\$20,332,000 to the Group for the year.
  - (v) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Hero Vision. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Hero Vision. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (b) On 14 August 2007, a wholly owned subsidiary of the Group, Mega Mix Group Limited ("Mega Mix"), entered into an agreement with an independent third party (the "Vendor 2") to acquire the entire issued share capital of Merry Sky Investments Limited ("Merry Sky"), all obligations, liabilities and debts owing or incurred by the Merry Sky to the Vendor 2 for a consideration of approximately HK\$71,851,000. The consideration was settled by cash of approximately HK\$36,851,000 and issue of 88,607,595 ordinary shares of HK\$0.05 each of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.395 each and the acquisition was completed on 8 October 2007. The aggregate amount of goodwill arising as a result of the acquisition is approximately HK\$64,098,000.

Acquiree's  
carrying  
amount before  
combination  
and fair value  
HK\$'000

Net liabilities acquired:

Property, plant and equipment	7,837
Inventories	969
Trade and other receivables and deposits	1,266
Cash and bank balances	2,650
Trade and other payables	(16,451)
Minority interests	(2,253)

Net liabilities	(5,982)
Goodwill arising on acquisition ( <i>Note 11</i> )	64,098

Total consideration at fair value 58,116

Total consideration at fair value satisfied by:

Cash	36,851
Consideration shares	21,265

58,116

Net cash outflow arising on acquisition:

Cash consideration paid	(36,851)
Cash and bank balances acquired	2,650

(34,201)

*Notes:*

- (i) The contracted value of the acquisition was HK\$71,851,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK\$13,735,000.
  - (ii) The fair value of the consideration shares is determined based on the quoted closing price of the Company's share of HK\$0.24 at the date of acquisition and 88,607,595 shares.
  - (iii) If the acquisition had been completed on 1 April 2007, total Group turnover for the year would have been approximately HK\$116,229,000, and loss for the year would have been approximately HK\$8,337,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.
  - (iv) The subsidiary acquired during the year contributed approximately HK\$12,517,000 to the Group's turnover and profit after tax of approximately HK\$1,015,000 to the Group for the year.
  - (v) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Merry Sky. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Merry Sky. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (c) On 28 December 2007, a wholly owned subsidiary of the Group, Long Wider Limited ("Long Wider"), entered into an agreement with an independent third party (the "Vendor 3") to acquire the entire issued share capital of Direct Way Group Limited ("Direct Way"), all obligations, liabilities and debts owing or incurred by Direct Way to the Vendor 3 for a consideration of approximately HK\$49,580,000. The consideration was settled by cash and the acquisition was completed on 22 February 2008. The aggregate amount of goodwill arising as a result of the acquisition is approximately HK\$50,658,000.

**Acquiree's  
carrying  
amount before  
combination  
and fair value**  
*HK\$'000*

Net liabilities acquired:

Property, plant and equipment	4,409
Inventories	234
Trade and other receivables and deposits	2,121
Cash and bank balances	1,430
Trade and other payables	(8,194)
Minority interests	(1,078)
	(1,078)

Net liabilities	(1,078)
Goodwill arising on acquisition ( <i>Note 11</i> )	50,658
	50,658

Total consideration at fair value	49,580
	49,580

Total consideration satisfied by:

Cash	49,580
	49,580

Net cash outflow arising on acquisition:

Cash consideration paid	(49,580)
Cash and bank balances acquired	1,430
	(48,150)
	(48,150)



*Notes:*

- (i) If the acquisition had been completed on 1 April 2007, total Group turnover for the year would have been approximately HK\$114,165,000, and loss for the year would have been approximately HK\$8,223,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.
- (ii) The subsidiary acquired during the year contributed approximately HK\$191,000 to the Group's turnover and loss after tax of approximately HK\$387,000 to the Group for the year.
- (iii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Direct Way Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Direct Way. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (d) On 24 November 2006, the Group acquired 76% interest of the issued share capital of Day View Group Limited and the loan from shareholders for a consideration of approximately HK\$96,860,000 and was settled by cash of approximately HK\$20,000,000 and the issue of 126,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.61 each. The aggregate amount of goodwill arising as a result of the acquisition was approximately HK\$47,372,000.

**Acquiree's  
carrying  
amount before  
combination  
and fair value**  
*HK\$'000*

Net assets acquired:

Property, plant and equipment	1,314
Trade and other receivables and deposits	25,685
Cash and bank balances	83
Trade and other payables	(1,514)
Loan from shareholders	(15,163)

Net assets	10,405
------------	--------

Acquisition of 76% of net assets	7,908
Goodwill arising on acquisition ( <i>Note 11</i> )	47,372

Total consideration at fair value	55,280
-----------------------------------	--------

Total consideration at fair value satisfied by:

Cash	20,000
Consideration shares	35,280
	55,280

Net cash outflow arising on acquisition:

Cash consideration paid	(20,000)
Cash and bank balances acquired	83
	(19,917)

*Notes:*

- (i) The difference between the fair value and the contracted value of consideration shares paid in respect of the acquisition of the acquired subsidiary.
- (ii) The fair value of the consideration shares is determined based on the quoted closing price of the Company's share of HK\$0.28 at the date of acquisition and 126,000,000 shares.
- (iii) If the acquisition had been completed on 1 April 2006, total Group turnover for the year would have been approximately HK\$78,256,000, and profit for the year would have been approximately HK\$16,974,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.
- (iv) The subsidiary acquired during the year contributed approximately HK\$8,446,000 to the Group's turnover and profit after tax of approximately HK\$5,990,000 to the Group for the year.
- (v) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Day View Group Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Day View Group Limited. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

**37. Disposal of subsidiaries**

- (a) On 31 October 2007, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Righttime Development Limited ("Righttime") and all debts, liabilities and obligations of Righttime owing or incurred by Righttime to the Company whether actual, contingent or deferred and irrespective of whether or not the same is due and payable as at the date of completion of the Disposal (the "Sale Loan") for a total consideration of HK\$1,900,000. The disposal was completed on 12 December 2007 and the gain of such disposal was approximately HK\$2,124,000.

Summary of the effects of the disposal of subsidiaries are as follows:

	<b>2008</b>
	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	695
Trade and other receivables and deposits	1,310
Amount due to the Company	7,972
Cash and bank balances	122
Trade and other payables	(10,015)
	<u>84</u>
Release of translation reserve	(308)
Gain on disposal	2,124
	<u>1,900</u>
Total consideration	<u><u>1,900</u></u>
Satisfied by:	
Cash	<u><u>1,900</u></u>
Net cash inflow arising on disposal:	
Cash consideration	1,900
Cash and bank balances	(122)
	<u>1,778</u>

For the period from 1 April 2007 to the date of disposal, the above subsidiaries were engaged in investment holding, installation, engineering and management of fresh water treatment system, and environmental facilities, provision of environmental analyses and measurement services. The turnover contributed by the subsidiaries was approximately analyses HK\$6,206,000 and loss of approximately HK\$1,107,000 has recognised in the Group's loss for the year ended 31 March 2008.

- (b) On 15 February 2008, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Able Development Limited (“Able”) and all debts, liabilities and obligations of Able owing or incurred by Able to the Company whether actual, contingent or deferred and irrespective of whether or not the same is due and payable as at the date of completion of the Disposal (the “Sale Loan”) for a total consideration of HK\$83,000,000. The disposal was completed on 28 March 2008 and the gain of such disposal was approximately HK\$2,510,000.

Summary of the effects of the disposal of subsidiaries are as follows:

	<b>2008</b> <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	12,169
Trade and other receivables	8,578
Deposit and prepayment	3,498
Amount due to the Company	80,443
Cash and bank balances	82,604
Trade and other payables	(100,321)
	<u>86,971</u>
Release of translation reserve	(6,183)
Release of statutory enterprise expansion fund	(149)
Release of statutory surplus reserve	(149)
Gain on disposal	2,510
	<u>83,000</u>
Satisfied by:	
Cash	<u>83,000</u>
Net cash inflow arising on disposal:	
Cash consideration	83,000
Cash and bank balances	(82,604)
	<u>396</u>

For the period from 1 April 2007 to the date of disposal, the above subsidiaries were engaged in investment holding, manufacture and sales of melamine and its related products. The turnover contributed by the subsidiaries was approximately HK\$15,572,000 and loss of approximately HK\$362,000 has recognised in the Group's loss for the year ended 31 March 2008.

- (c) On 23 January 2008, a wholly owned subsidiary of the Company, Day View Group Limited (“Day View”) entered into a sale and purchase agreement that the Day View agreed to sell the entire issued share capital of Shine Concord Enterprises Limited (“Shine Concord”) and all debts, liabilities and obligations of Shine Concord owing or incurred by Shine Concord to the Company whether actual, contingent or deferred and irrespective of whether or not the same is due and payable as at the date of completion of the Disposal (the “Sale Loan”) for a total consideration of approximately HK\$10,498,000. The disposal was completed on 31 January 2008 and the loss of such disposal was approximately HK\$14,580,000.

Summary of the effects of the disposal of subsidiaries are as follows:

	<b>2008</b> <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	563
Trade and other receivables and deposits	26,856
Cash and bank balances	457
Trade and other payables	(15,997)
	<u>11,879</u>
Attributable goodwill	17,054
Release of translation reserve	(3,855)
Loss on disposal	(14,580)
Total consideration	<u><u>10,498</u></u>
Satisfied by:	
Cash	<u><u>10,498</u></u>
Net cash inflow arising on disposal:	
Cash consideration	10,498
Cash and bank balances	(457)
Net inflow of cash and cash equivalents	<u><u>10,041</u></u>

For the period from 1 April 2007 to the date of disposal, the above subsidiaries were engaged in investment holding and provision of hospital management services. The turnover contributed by the subsidiaries was approximately HK\$2,011,000 and loss of approximately HK\$1,561,000 has recognised in the Group's loss for the year ended 31 March 2008.

### 38. Deferred taxation

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

Deferred tax liabilities:

	<b>Convertible notes HK\$'000</b>
At 1 April 2006 and 31 March 2007	–
Charge to equity for the year	501
Credit to consolidated income statement for the year	(320)
	<hr/>
At 31 March 2008	<u>181</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Deferred tax assets	–	–
Deferred tax liabilities	(181)	–
	<hr/>	<hr/>
	<u>(181)</u>	<u>–</u>

At the balance sheet date, the Group and the Company has unutilised tax losses of approximately HK\$61,244,000 (2007: HK\$45,992,000) and HK\$16,138,000 (2007: HK\$4,627,000) respectively available to set off against future assessable profit. No deferred tax asset has been recognised in respect of the unlisted tax losses due to the unpredictability of future profits streams. These tax losses may be carried forward indefinitely.

**39. Operating lease commitments**

The Group were committed to make the following future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases which fall due as follows:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,737	1,146
In the second to fifth years inclusive	19,376	683
Over five years	27,630	30
	<u>51,743</u>	<u>1,859</u>

**40. Commitments**

(a) Pursuant to an exclusive right to distribute and sell and the right to use the enzyme-based materials worldwide except North America, South Korea and Japan, the Group was committed to pay to an independent third party 10% of the net profit after taxation of the relevant business for 30 years expiring October 2028. No payments were made during the year as the relevant business was operating at a loss in which the loss could be carried forward to set off against future profits of the relevant business.

(b)

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments for acquisition of a company	–	146,050
Commitments for acquisition of property, plant and equipment	1,938	–
	<u>1,938</u>	<u>146,050</u>

(c) The Company had no other significant commitments at the balance sheet date.



## 41. Contingent liabilities

(a)

	<b>The Company</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to a bank, in respect of banking facilities utilised by subsidiaries	<u>10,000</u>	<u>10,000</u>

- (b) Jiaxing City Triumph Electric Company Limited (“Jiaxing Triumph Electric”) had taken out action against Jiaxing City Shugang Western and Chinese Composite Hospital Limited (“Jiaxing Shuguang Hospital”), a non-wholly owned subsidiary of the Company, suing for rental payment of an aggregate amount of RMB875,000 for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the “Property in Dispute”) under a legally binding tenancy agreement entered into with Jiaxing City Xin Kai Yuan Industrial Trading Company Limited (“Jiaxing City Xin Kai Yuan”) who has been joined as a third party to the action (the “Shuguang Dispute”).

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan. Jiaxing City Triumph Electric alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute. As at 31 March 2008 and up to the date of approval of these financial statements, no further action has taken place.

In the opinion of the Company’s legal advisor, the Group has a strong defense as the Property in Dispute which is legally registered under the name of Jiaxing City Xin Kai Yuan and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan, which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and Jiaxing City Triumph Electric.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the Shuguang Dispute.

#### 42. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company’s PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company’s PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

#### 43. Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into the following significant transaction with related parties:

##### *Key management personnel*

Remuneration for key personnel management, including amount paid to the Company’s directors and certain of the highest paid employee, as disclosed in Note 28, is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Short-term employee benefits	2,004	646
Share-based payment	–	1,623
	<u>2,004</u>	<u>2,269</u>

## 44. Subsequent events

- (a) On 26 February 2008, a wholly owned subsidiary of the Company, Ally Health International Limited, entered into an agreement with an independent third party to acquire the entire issued share capital of Large Forever Group Limited for a cash consideration of HK\$65,200,000 and to subscribe 3,400 new shares of Large Forever Group Limited with subscription price of HK\$3,400,000.

	<b>Acquiree's carrying amount before combination and fair value</b>
	<i>HK\$'000</i>
	(Unaudited)
Net liabilities acquired:	
Property, plant and equipment	671
Trade and other receivables and deposits	7
Cash and bank balances	3,229
Trade and other payables	(3,973)
	<u>          </u>
Net liabilities	(66)
Goodwill arising on acquisition ( <i>Note (i)</i> )	65,266
	<u>          </u>
	<u>65,200</u>
Total consideration satisfied by:	
Cash	<u>65,200</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(65,200)
Cash and bank balances acquired	3,229
	<u>          </u>
	<u>(61,971)</u>

*Notes:*

- (i) The fair values to be assigned to the acquiree's identifiable assets, liabilities, contingent liabilities and the cost of the combination can be determined only provisionally, any adjustments to those provisional values will be required upon completion of the acquisition. The directors also considered that the amount of turnover and profit after tax contributed by the subsidiaries to be acquired can only be determined upon completion of the acquisition. For further details, please refer to the Company's circular dated 17 March 2008.
- (b) On 12 June 2008, a wholly owned subsidiary of the Company, Famous Fast Limited, entered into an agreement with an independent third party to acquire the entire issued share capital of Smart Peak Limited for a consideration of HK\$45,500,000 and to subscribe 3,499 new shares of Famous Fast Limited with subscription price of HK\$3,500,000.

**Acquiree's  
carrying  
amount before  
combination  
and fair value**  
*HK\$'000*  
(Unaudited)

## Net liabilities acquired:

Property, plant and equipment	2,788
Inventories	480
Trade and other receivables and deposits	70
Cash and bank balances	94
Trade and other payables	(6,612)
	(6,612)

Net liabilities	(3,180)
Goodwill arising on acquisition ( <i>Note (i)</i> )	48,680
	48,680

**45,500**

## Total consideration satisfied by:

Cash	45,500
	45,500

## Net cash outflow arising on acquisition:

Cash consideration paid	(45,500)
Cash and bank balances acquired	94
	(45,406)
	(45,406)

*Notes:*

- (i) The fair values to be assigned to the acquiree's identifiable assets, liabilities, contingent liabilities and the cost of the combination can be determined only provisionally, any adjustments to those provisional values will be required upon completion of the acquisition. The directors also considered that the amount of turnover and profit after tax contributed by the subsidiaries to be acquired can only be determined upon completion of the acquisition. For further details, please refer to the Company's announcement dated 13 June 2008.

**45. Principal subsidiaries**

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Grandy Environmental (H.K.) Limited <sup>#</sup>	Hong Kong	HK\$3,010,000	100%	Manufacture and sales of environmental protection products and provision of related services
Grandy Trading and Services (H.K.) Limited (formerly know as Grandy Enviro-Tech Company Limited) <sup>#</sup>	Hong Kong	HK\$10,000	100%	Sales of environmental protection products
Grand Brilliant Corporation Limited	British Virgin Islands	HK\$1	100%	Provision of healthcare and hospital management services
Best Boom Resources Limited	British Virgin Islands	US\$1	100%	Provision of hospital management services
Day View Group Limited	British Virgin Islands	US\$1,000	76%	Investment holding
Wisdom Rise Group Limited	British Virgin Islands	US\$1	100%	Investment holding

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

<b>Name of subsidiary</b>	<b>Place of incorporation/ establishment/ operations</b>	<b>Nominal value of issued and fully paid ordinary share/ registered capital</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Principal activities</b>
Hero Vision Enterprises Limited	British Virgin Islands	US\$1,573	100%	Investment holding
Mega Mix Group Limited	British Virgin Islands	US\$1	100%	Investment holding
Merry Sky Investments Limited	British Virgin Islands	US\$9,000	100%	Investment holding
Long Wider Limited	British Virgin Islands	US\$1	100%	Investment holding
Direct Way Group Limited	British Virgin Islands	US\$5,300	100%	Investment holding
Fujian Madsen Enterprise Company Limited	PRC	RMB40,000,000	100%	Provision of healthcare and hospital management services
Edward Hospital Company Limited	PRC	RMB40,000,000	55%	Provision of general hospital services
Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited	PRC	RMB15,000,000	55%	Provision of general hospital services
Foshan Qide Hospital Limited	PRC	RMB3,000,000	70%	Provision of general hospital services
Beiye Renzhi (Beijing) Investment Consultancy Limited	PRC	RMB6,457,725	70.1%	Provision of healthcare and hospital management services

# *Audited by another Hong Kong Certified Public Accountants*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**46. Non-cash transactions**

- (a) On 9 May 2007, the Group acquired the entire issued share capital of Hero Vision at a consideration of HK\$116,300,000, the consideration of HK\$59,953,000, HK\$33,000,000 and HK\$12,097,360 were satisfied by the Company's shares, issue of convertible note and promissory note respectively.
- (b) On 8 October 2007, the Group acquired the entire issued share capital of Merry Sky at a consideration of HK\$71,851,000, the consideration of HK\$35,000,000 was satisfied by the Company's shares.

**47. 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 stakeholders 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 borrowings, convertible loan note and obligations under finance leases), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

***Gearing ratio***

The gearing ratios at 31 March 2008 and 31 March 2007 were as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt ( <i>note (a)</i> )	33,762	8,625
Cash and cash equivalents	(83,346)	(29,806)
	<u>(49,584)</u>	<u>(21,181)</u>
Equity ( <i>note (b)</i> )	<u>477,802</u>	<u>131,306</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>

*Notes:*

- (a) Debt comprises obligations under finance leases, secured short term bank loan and convertible loan notes as detailed in notes 20, 22 and 23 respectively.
- (b) Equity includes all capital and reserves of the Group.

#### 48. Financial instruments

##### (a) *Categories of financial instruments*

###### *Financial assets*

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables (including cash and cash equivalents)	147,286	95,143
Derivative financial instruments classified as fair value through profit or loss	514	–
Available-for-sale financial assets	–	143
	<u>          </u>	<u>          </u>

###### *Financial liabilities*

Amortised cost	92,998	37,022
	<u>          </u>	<u>          </u>

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

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



*(i) Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including:

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

## Foreign currency risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	36,047	8,186	60,353	83,850
Korea Won	–	2,156	–	3,406
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB and Korea Won.

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% 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 outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	<b>Impact of RMB</b>		<b>Impact of Korea Won</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other equity	1,215	3,783	–	63

*Note:*

This is mainly attributable to the exposure outstanding on receivables and payables denominated in respective currencies at the year end.

### Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (*Note 22*). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. As at 31 March 2008, the Group did not have borrowings at floating rate of interest.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2007 would decrease/increase by approximately HK\$12,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year ended 31 March 2007.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate borrowings.

*(ii) Credit risk*

As at 31 March 2008, 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 and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in Note 41.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas.

*(iii) Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 March 2008, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK\$2,000,000 (2007: HK\$2,000,000) and HK\$8,000,000 (2007: HK\$8,000,000) respectively.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and certain non-derivative financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial assets, the tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

At 31 March 2008						
	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	3.07%	83,346	-	-	83,346	83,346
Others	-	63,940	-	-	63,940	63,940
		<u>147,286</u>	<u>-</u>	<u>-</u>	<u>147,286</u>	<u>147,286</u>
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	47,323	-	-	47,323	47,323
Amounts due to minority shareholders	-	11,913	-	-	11,913	11,913
Convertible notes	6.8%	2,500	33,000	-	35,500	33,762
		<u>61,736</u>	<u>33,000</u>	<u>-</u>	<u>94,736</u>	<u>92,998</u>
		<u>85,550</u>	<u>(33,000)</u>	<u>-</u>	<u>52,550</u>	<u>54,288</u>

At 31 March 2007						
	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	1.4%	29,806	-	-	29,806	29,806
Others	-	65,337	-	-	65,337	65,337
		<u>95,143</u>	<u>-</u>	<u>-</u>	<u>95,143</u>	<u>95,143</u>
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	12,338	-	-	12,338	12,338
Amounts due to directors	-	736	-	-	736	736
Amounts due to minority shareholders	-	15,323	-	-	15,323	15,323
Obligations under finance lease	10.4%	297	-	-	297	297
Secured short-term bank loan	4.7%	6,000	-	-	6,000	6,000
Convertible notes	6.7%	-	2,500	-	2,500	2,328
		<u>34,694</u>	<u>2,500</u>	<u>-</u>	<u>37,194</u>	<u>37,022</u>
		<u>60,449</u>	<u>(2,500)</u>	<u>-</u>	<u>57,949</u>	<u>58,121</u>

**(c) Fair value of financial instruments**

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

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

- (ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model and Binomial option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

#### **49. Comparative**

Certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

#### **50. Approval of financial statements**

The financial statements were approved and authorised for issue by the board of directors on 26 June 2008.

## 3. FIRST QUARTERLY RESULTS

Set out below is the unaudited financial information of the Group for the three months ended 30 June 2008, together with comparative amounts, as extracted from the first quarterly report 2008/2009 of the Company.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>	3	47,416	30,913
Cost of sales		(14,093)	(10,128)
Gross profit		33,323	20,785
Other income		1,141	708
Selling and distribution costs		(5,597)	(1,727)
Administrative expenses		(16,078)	(9,897)
<b>PROFIT FROM OPERATIONS</b>		12,789	9,869
Finance costs		(264)	(143)
<b>PROFIT BEFORE TAXATION</b>		12,525	9,726
Taxation	4	(4,253)	(885)
<b>PROFIT FOR THE PERIOD</b>		<u>8,272</u>	<u>8,841</u>
Attributable to:			
Equity holders of the Company		4,130	6,404
Minority interests		4,142	2,437
		<u>8,272</u>	<u>8,841</u>
<b>DIVIDENDS</b>		<u>–</u>	<u>–</u>
<b>EARNINGS PER SHARE</b>			
– Basic ( <i>cents</i> )	5	<u>0.23</u>	<u>0.45</u>
– Diluted ( <i>cents</i> )	5	<u>0.21</u>	<u>0.36</u>



## NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2008

### 1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on GEM of the Stock Exchange.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

### 2. Basis of preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the period ended 30 June 2008 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2008.

### 3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the provision of general hospital and healthcare and hospital management services.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Provision of general hospital services	42,677	10,050
Provision of healthcare and hospital management services	4,739	13,395
Provision of environmental protection services, manufacture and sales of melamine and its related products (Discontinued operations)	–	7,468
	<u>47,416</u>	<u>30,913</u>

#### 4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2007: Nil).

Corporate income tax of approximately 34% approximately has been provided for the profit generated from the general hospital and healthcare and hospital management services in the PRC (2007: approximately 5% (hospital management services)).

#### 5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2008 was based on the net profit attributable to equity holders of approximately HK\$4,130,000 (2007: approximately HK\$6,404,000) and on the weighted average number of 1,798,044,795 shares (2007: 1,429,772,583 shares).

Diluted earnings per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months ended 30 June 2008, the Company had three categories of dilutive potential ordinary shares: convertible notes and share options.

The convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense of convertible notes less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	4,130	6,404
Interest expense on convertible notes (net of tax)	189	121
	<hr/>	<hr/>
Profit used to determine diluted earnings per share	<u>4,319</u>	<u>6,525</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	<b>2008</b>	<b>2007</b>
Weighted average number of ordinary shares in issue	1,798,044,795	1,429,772,585
Adjustments for assumed exercise of share options	149,910,577	148,674,085
Adjustments for assumed exercise of warrants	–	133,298,711
Adjustments for assumed conversion of convertible notes	109,277,950	109,277,950
	<u>2,057,233,322</u>	<u>1,821,023,331</u>
Weighted average number of ordinary shares of diluted earnings per share		
	<b>2008</b>	<b>2007</b>
Diluted earnings per share	<u>HK0.21 cents</u>	<u>HK0.36 cents</u>

**6. Capital and reserves (unaudited)**

	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible notes reserve	Statutory enterprise expansion fund	Statutory surplus reserve	Warrants reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))				(Note (b))	(Note (c))					
At 1 April 2007	54,105	152,381	(38,645)	1,607	5,000	69	149	149	1,837	(45,346)	131,306	3,421	134,727
Net profit for the period	–	–	–	–	–	–	–	–	–	6,404	6,404	2,437	8,841
Issue of shares	31,316	–	–	–	–	–	–	–	–	–	31,316	–	31,316
Premium arising on issue of shares	–	284,039	–	–	–	–	–	–	–	–	284,039	–	284,039
Issuing expenses	–	7,353	–	–	–	–	–	–	–	–	7,353	–	7,353
Share-based payment expense	375	–	–	–	–	–	–	–	–	–	375	–	375
Exercise of share options	–	3,450	–	–	–	–	–	–	–	–	3,450	–	3,450
Premium arising on exercise of share options	–	–	(35,043)	–	–	–	–	–	–	–	(35,043)	–	(35,043)
Transfer to reserve	–	–	–	–	–	3,594	(56)	(56)	–	–	3,482	–	3,482
At 30 June 2007	<u>85,796</u>	<u>447,223</u>	<u>(73,688)</u>	<u>1,607</u>	<u>5,000</u>	<u>3,663</u>	<u>93</u>	<u>93</u>	<u>1,837</u>	<u>(38,942)</u>	<u>432,682</u>	<u>5,858</u>	<u>438,540</u>
At 1 April 2008	89,902	425,169	(6,735)	1,461	4,658	24,693	–	753	–	(62,099)	477,802	26,682	504,484
Net profit for the period	–	–	–	–	–	–	–	–	–	4,130	4,130	4,142	8,272
Increase in minority interests resulting from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	347	347
Transfer to reserve	–	–	–	1,292	–	–	–	–	–	–	1,292	–	1,292
At 30 June 2008	<u>89,902</u>	<u>425,169</u>	<u>(6,735)</u>	<u>2,753</u>	<u>4,658</u>	<u>24,693</u>	<u>–</u>	<u>753</u>	<u>–</u>	<u>(57,969)</u>	<u>483,224</u>	<u>31,171</u>	<u>514,395</u>

*Note:*

- (a) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.
- (b) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall appropriate 5% to 10% of its net profit after taxation as the statutory enterprise expansion fund. The Directors shall have discretion in determining the percentage within the range specified by the relevant PRC laws and regulations.
- (c) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

## **7. Interim dividend**

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2008 (2007: Nil).

#### 4. STATEMENT OF INDEBTEDNESS

##### **Borrowings**

As at the close of business on 31 August 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had outstanding borrowings of approximately HK\$34,453,000, details of which are set out below:

	<i>HK\$'000</i>
Convertible Notes (liability portion)	34,453

The principal amount of the Convertible Notes outstanding as at 31 August 2008 and up to the Latest Practicable Date is HK\$35,500,000.

##### **Securities and guarantees**

Certain time deposits of the Group of approximately HK\$5,233,000 have been pledged to a bank in Hong Kong to secure banking facilities and short-term bank loan granted to the Group. No short-term bank loan was drawn down as at 31 August 2008 and up to the Latest Practicable Date.

As at 31 August 2008, the Company provided corporate guarantees to a bank in Hong Kong in respect of HK\$10,000,000 banking facilities to be utilised by its subsidiaries.

##### **Contingent liabilities**

Jiaxing City Triumph Electric Company Limited (“Jiaxing Triumph Electric”) had taken out action against Jiaxing City Shugang Western and Chinese Composite Hospital Limited (“Jiaxing Shuguang Hospital”), a non-wholly owned subsidiary of the Company, suing for rental payment of an aggregate amount of RMB875,000 for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the “Property in Dispute”) under a legally binding tenancy agreement entered into with Jiaxing City Xin Kai Yuan Industrial Trading Company Limited (“Jiaxing City Xin Kai Yuan”) who has been joined as a third party to the action (the “Shuguang Dispute”).

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan. Jiaxing City Triumph Electric alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute. As at 31 August 2008 and up to the Latest Practicable Date, no further action has taken place.

In the opinion of the Company's legal adviser, the Group has a strong defence as the Property in Dispute which is legally registered under the name of Jiaxing City Xin Kai Yuan and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan, which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and Jiaxing City Triumph Electric.

In the opinion of the Directors, the Group has valid grounds to defend the actions and as such, no provision is made in the financial statements of the Group for its exposure to the Shuguang Dispute.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2008, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 August 2008 and up to the Latest Practicable Date.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

**6. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities and the proceeds from the Open Offer, the Group will have sufficient working capital for at least twelve months from the date of this Prospectus.

### 1. UNAUDITED PRO FORMA STATEMENT ON ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 13 of Appendix 1B and rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the net tangible assets of the Group as if the Open Offer had taken place on 31 March 2008.

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2008 or at any future date.

The following unaudited pro forma statement on adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2008 and adjusted to reflect the effect of the Open Offer:

	<b>Audited consolidated net tangible assets of the Group As at 31 March 2008 HK\$'000 Note (a)</b>	<b>Estimated net proceeds from the Open Offer HK\$'000 Note (b)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000 Note (e)</b>	<b>Audited consolidated net tangible assets of the Group per Share before Open Offer as at 31 March 2008</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share after Open Offer</b>
Before completion of the Open Offer	168,226			HK\$0.0936/ Share (Note (c))	
After completion of the Open Offer	168,226	43,000	211,226		HK\$0.0783/ Share (Note (d))



*Notes:*

- (a) The consolidated net tangible assets of the Group as at 31 March 2008 is calculated based on the capital and reserves attributable to the Company's equity holders as at 31 March 2008 of approximately HK\$477,802,000 after deducting goodwill of approximately HK\$309,576,000 as at 31 March 2008 as extracted from the annual report of the Company for the year ended 31 March 2008.
- (b) The estimated net proceeds from the Open Offer are calculated based on 899,022,397 Offer Shares to be issued at the Subscription Price of HK\$0.05 per Offer Share after deducting estimated expenses of approximately HK\$1,950,000.
- (c) The number of Shares used for the calculation of this amount is 1,798,044,795 which was the number of Shares in issue as at 31 March 2008 and as at the Latest Practicable Date.
- (d) The number of Shares used for the calculation of this amount is 2,697,067,192 which will be the total number of Shares expected to be in issue after the completion of the Open Offer representing the existing 1,798,044,795 Shares in issue as at the Latest Practicable Date and 899,022,397 Offer Shares to be issued pursuant to the Open Offer but has not taken into account the effects of the exercise of any outstanding Share Options and Convertible Notes.
- (e) The above unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has not taken into account the effects of the exercise of any outstanding Share Options and Convertible Notes.
- (f) The above unaudited pro forma statement of adjusted consolidated net tangible assets of the Group illustrates the effect on the issue of 899,022,397 Offer Shares.

**2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO  
FORMA STATEMENT ON ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS  
OF THE GROUP**

*The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in this appendix.*



Chartered Accountants  
Certified Public Accountants

31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

30 September 2008

The Board of Directors  
Hua Xia Healthcare Holdings Limited  
Room 1902 19/F Sing Pao Building  
101 King's Road  
North Point  
HONG KONG

Dear Sirs

We report on the unaudited pro forma statement on adjusted consolidated net tangible assets (the "Unaudited Pro Forma Consolidated Net Tangible Assets") of Hua Xia Healthcare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed open offer of 899,022,397 offer shares at HK\$0.05 per offer share on the basis of one offer share for every two shares held on record date payable in full on application (the "Proposed Open Offer") might have affected the financial information presented, for inclusion in Section 1 of Appendix II to the prospectus dated 30 September 2008 (the "Prospectus").

The basis of preparation of the Unaudited Pro Forma Consolidated Net Tangible Assets is set out on page 133 to the Prospectus.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND  
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Consolidated Net Tangible Assets in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Consolidated Net Tangible Assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Consolidated Net Tangible Assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Consolidated Net Tangible Assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Consolidated Net Tangible Assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Consolidated Net Tangible Assets as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Consolidated Net Tangible Assets is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2008 or any future date.

**OPINION**

In our opinion:

- a. the Unaudited Pro Forma Consolidated Net Tangible Assets has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Consolidated Net Tangible Assets as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully

**HLB Hodgson Impey Cheng**

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this Prospectus is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this Prospectus misleading; and
- (c) all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>250,000,000.00</u>
<i>Issued and fully paid:</i>	
1,798,044,795 Shares as at the Latest Practicable Date	89,902,239.75
<u>899,022,397</u> Offer Shares to be issued	<u>44,951,119.85</u>
<u>2,697,067,192</u> Share upon completion of the Open Offer	<u>134,853,359.60</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

There are no arrangements under which future dividends will be waived or agreed to be waived.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 109,277,950 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 255,814,112 Shares. Save as disclosed above, the Company does not have any other outstanding options, convertible notes or securities in issue which are convertible or exchangeable into Shares.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

##### (i) *Interests in Shares:*

Name of Director/ chief executive of the Company	Number of Shares	Capacity	Position	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Mr Yung ( <i>Note</i> )	375,746,000	Interest in controlled corporation	Long	20.90%
	6,187,500	Beneficial owner	Long	0.34%
Ms Shum	5,400,000	Beneficial owner	Long	0.30%
Mr Zheng	3,600,000	Beneficial owner	Long	0.20%

*Note:* These Shares are held through Easeglory.

*(ii) Interests in Share Options under Post-IPO Share Option Scheme:*

Name of Director/ chief executive of the Company	Exercise period	Exercise price	Position	Number of share options
Mr Yung	13 July 2006 to 12 July 2016	HK\$0.627	Long	3,242,085
	21 March 2007 to 20 March 2017	HK\$0.51	Long	5,800,000
Dr Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	Long	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	Long	3,900,000
Ms Shum	13 July 2006 to 12 July 2016	HK\$0.627	Long	3,705,240
	21 March 2007 to 20 March 2017	HK\$0.51	Long	7,100,000
Mr Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	Long	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	Long	3,900,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

**(i) Substantial Shareholders:**

Name of Shareholders	Number of Shares	Position	Capacity	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Easeglory ( <i>Note 1</i> )	375,746,000	Long	Beneficial owner	20.90%
Ms Yung Muk Ying ( <i>Note 1</i> )	390,975,585	Long	Interest of spouse	21.74%
Mr Lau ( <i>Note 2</i> )	264,070,000	Long	Beneficial owner	14.69%
Ms Lau Yuk Lan ( <i>Note 2</i> )	264,070,000	Long	Interest of spouse	14.69%

*Notes:*

- The issued share capital of Easeglory is 100% beneficially owned by Mr Yung. Ms Yung Muk Ying is deemed to be interested in 375,746,000 Shares held by Easeglory and 6,187,500 Shares and 9,042,085 underlying Shares beneficially held by Mr Yung in personal capacity by virtue of her being the spouse of Mr Yung. Save as Mr Yung is a director of Easeglory, none of the Director is a director or employee of Easeglory.
- Mr Lau is interested in 264,070,000 Shares, being the aggregate of the consideration shares and the conversion shares under the SFO. Ms Lau Yuk Lan is deemed to be interested in 264,070,000 Shares by virtue of her being the spouse of Mr Lau.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.



**4. DIRECTORS' SERVICE CONTRACTS**

Mr Yung, the executive Director and chairman of the Company has signed a letter of appointment with the Company for the monthly fee of HK\$60,000 for a period of one year commencing from 1 February 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr Jiang Tao has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$30,000 for a period of one year commencing from 3 January 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Mr Zheng has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$60,000 for a period of one year commencing from 1 August 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Ms Shum and Mr Chen Jin Shan have been appointed as executive Directors by way of letters of appointment with the Company for the monthly fees of HK\$15,000 and HK\$5,000 respectively for a period of one year commencing from 25 April 2006 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr Wong Yu Man, James, has been appointed as a non-executive Director by way of a letter of appointment with the Company for the monthly fee of HK\$10,000 for a period of one year commencing from 20 March 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Ms Wong Ka Wai, Jeanne an independent non-executive Director, has been appointed by way of a letter of appointment with the Company for a period of one year commencing from 1 November 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. All the other independent non-executive Directors, namely Mr Hsu William Shiu Foo and Prof Yu Chai Mei, have entered into non-executive Directors' contracts with the Company for a term of one year commencing from 22 April 2002 and will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing. Each of the three independent non-executive Directors receives a monthly fee of HK\$5,000.

Save as disclosed herein, none of the Directors has entered into any service contracts or proposed to enter into service contracts (excluding contracts expiring or terminating by the employer within one year without payment of any compensation other than statutory compensation).

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in a business which competes or may compete with the business of the Group or have or may have any conflicts of interests with the Group.

## 6. LITIGATION

In early 2006, an action in the PRC has been taken out by Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) against Jiaxing Shuguang Hospital, a wholly owned subsidiary of the Company, suing for rental payment of an aggregate of RMB875,000 (equivalent to approximately HK\$893,000) for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 (equivalent to approximately HK\$357,000) in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the “**Property in Dispute**”) under a legally binding tenancy agreement entered into with Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) who has been joined as a third party to the action (the “**Shuguang Dispute**”).

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司), Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute.

The Company has been advised by its PRC legal adviser that Jiaxing Shuguang Hospital has a strong defence as the Property in Dispute which is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司), which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司). The PRC legal adviser further advised that in those circumstances, Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) shall be responsible for the Shuguang Dispute.

As at the Latest Practicable Date, the Shuguang Dispute is now stayed pending the outcome of the dispute between Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) regarding the ownership of the Property in Dispute.

Save for the disclosed, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## **7. MATERIAL CONTRACTS**

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of this Prospectus and are or may be material:

- (a) the non-legally binding letter of intent dated 18 October 2006 entered into between the Company and Town Health International Holdings Company Limited setting out the basic understanding in relation to leveraging the resources and expertise of Town Health International Company Limited and the Company in their cooperative development in the medical and healthcare related business in the PRC;
- (b) the underwriting agreement dated 11 December 2006 entered into between the Company and Quam Securities Company Limited, Partners Capital Securities Limited and Hantec Capital Limited in relation to the underwriting of not less than 350,692,167 offer shares and not more than 368,117,579 offer shares at a subscription price of HK\$0.08 per Share;
- (c) the placing agreement entered into on 13 March 2007 between the Company and Sun Hung Kai International Limited for the placing of up to 200,000,000 new Shares at an issue price of HK\$0.352 per Share and the supplemental agreement dated 13 April 2007 for the extension of the long-stop date;
- (d) the conditional sale and purchase agreement dated 13 March 2007 entered into among Wisdom Rise Group Limited, a wholly-owned subsidiary of the Company as purchaser, Mr Lau Kam Shui as vendor and Hero Vision Enterprises Limited (“Hero Vision”) relating to (i) the sale and purchase of the entire issued share capital of Hero Vision and, the debts owing or incurred by Hero Vision to Mr Lau Kam Shui, and (ii) the subscription of the 410 new shares in the share of Hero Vision for a total consideration of HK\$157,300,000;

- (e) the conditional subscription agreement dated 15 May 2007 made between the Company and Easeglory in relation to the subscription of up to 256,000,000 Shares at a subscription price of HK\$0.58 per Share;
- (f) the conditional placing agreement dated 15 May 2007 entered into between Easeglory, the Company, CAF Securities Company Limited and Sun Hung Kai International Limited in relation to the placing of up to 256,000,000 existing Shares held by Easeglory at a subscription price of HK\$0.58 per Share;
- (g) the conditional sale and purchase agreement dated 14 August 2007 entered into among Mega Mix Group Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr Wu Jianguo as vendor, and Merry Sky Investments Limited (“Merry Sky”) relating to (i) the sale and purchase of the entire issued share capital of Merry Sky and the debts owing or incurred by Merry Sky to Mr Wu Jianguo, and (ii) the subscription of 8,999 new shares in the share capital of Merry Sky for a total consideration of HK\$80,850,000;
- (h) the agreement dated 31 October 2007 entered into among the Company as vendor, Spring Vision Group Limited, as purchaser and Mr Kuan Kam Long, as guarantor in relation to the disposal of the entire equity interest in Righttime Development Limited (“Righttime”) and the assignment of all the debts, liabilities and obligations of Righttime owing or incurred by Righttime to the Company for a total consideration of HK\$1,900,000;
- (i) the conditional sale and purchase agreement dated 28 December 2007 entered into among Long Wider Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr Wei Changhua as vendor, and Direct Way Group Limited (“Direct Way”) relating to (i) the sale and purchase of the entire issued share capital of Direct Way, and (ii) the subscription of 5,299 new shares in the share capital of Direct Way for a total consideration of HK\$54,880,000;
- (j) the agreement dated 15 February 2008 entered into among the Company as vendor and Mr Zheng Maolin as purchaser in relation to the disposal of the entire equity interest in Able Developments Limited (“Able”) and the assignment of all the debts, liabilities and obligations of Able owing from or incurred by Able to the Company for a total consideration of HK\$83,000,000;

- (k) the conditional sale and purchase agreement dated 26 February 2008 entered into among Ally Health International Limited, a wholly-owned subsidiary of the Company as purchaser, Yan Xuefeng as vendor and Large Forever Group Limited (“Large Forever”) relating to (i) the sale and purchase of the entire issued share capital of Large Forever, and (ii) the subscription of 3,400 new shares in the share capital of Large Forever for a total consideration of HK\$68,600,000;
- (l) the conditional sale and purchase agreement dated 12 June 2008 entered into among Famous Fast Limited, a wholly-owned subsidiary of the Company as purchaser, Lau Ming Wah as vendor and Smart Peak Limited (“Smart Peak”) relating to (i) the sale and purchase of the entire issued share capital of Smart Peak and (ii) the subscription of 3,499 new shares in the share capital of Smart Peak for a total consideration of HK\$49,000,000; and
- (m) the Underwriting Agreement.

#### **8. DIRECTORS’ INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

#### **9. EXPERT AND CONSENT**

The following are the qualifications of the expert who has given its opinions and advice which are included in this Prospectus:

<b>Name</b>	<b>Qualifications</b>
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

1. As at the Latest Practicable Date, HLB Hodgson Impey Cheng did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
2. As at the Latest Practicable Date, HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this Prospectus, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.
3. As at the Latest Practicable Date, HLB Hodgson Impey Cheng did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

**10. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION**

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong
Authorised representatives	Yung Kwok Leong Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong  Shum Ngai Pan Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong

Compliance officer	Yung Kwok Leong Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong
Qualified accountant and Company Secretary	Lam Williamson, <i>CPA, CPA</i> (Australia)
Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F., Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Underwriter	Quam Securities Company Limited Room 3208 Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Financial adviser	INCU Corporate Finance Limited Unit 1602, Ruttonjee House Ruttonjee Centre, 11 Duddell Street Central, Hong Kong
Legal adviser to the Company	<i>As to Hong Kong Law:</i> Michael Li & Co. 14/F Printing House 6 Duddell Street, Central Hong Kong
Principal banker	Standard Chartered Bank (Hong Kong) Limited 12/F., Standard Chartered bank Building 4-4A Des Voeux Road Central Hong Kong

Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 705, George Town Grand Cayman, Cayman Islands British Virgin Indies
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

## **11. DIRECTORS AND SENIOR MANAGEMENT**

### **Executive Directors**

**Mr Yung**, aged 43, the Chairman of the Board, being a registered economist in the Fujian Province in the PRC, has over 20 years' experience in corporate management and investment in the healthcare and environmental protection sectors in the PRC. Mr Yung is currently the chairman of Hong Kong Putian Co. and the honorable chairman of Hong Kong Puxian Native Association. Mr Yung is also currently the vice-chairman of the National Committee of the Health, the Health Insurance Association of Fujian and the committee member of Putian City, Fujian Committee of Chinese Political Consultative Conference. Mr Yung was appointed as an executive Director and Chairman of the Board on 2 March 2005 and 29 April 2005 respectively.

**Dr Jiang Tao**, aged 52, holds a degree of doctor of audiology from the Arizona School of Health Sciences, Kirksville College of Osteopathic Medicine in the United States and two master degrees in audiology and in special education from Lamar University of Texas in the United States. He served as senior management in several enterprises in USA, Canada and the PRC with over 15 years of experience in senior management, consultancy and investment in the PRC, Hong Kong, Canada and the United States. Dr Jiang has also established six enterprises in the PRC with Canadian capital. He is currently the Visiting Professor of the Medical College of Southwest of China, Sichuan University, Sun Yat-sen Medical University and Sichuan Foreign Language University. Dr Jiang was appointed as an executive Director and Chief Executive Officer of the Company on 3 January and 23 August 2007 respectively.



**Mr Zheng**, aged 41, holds a master degree in business administration from Cardiff Business School in the United Kingdom and a bachelor of engineering degree from Xiamen University in the PRC. Mr Zheng has over 13 years of management experience in finance, investment and trading. Mr Zheng was appointed as an executive Director on 1 August 2007.

**Ms Shum**, aged 35, holds a master degree in business administration. She has over 8 years of managerial experience in private companies engaged in the healthcare and environmental protection sectors in the PRC. Ms Shum was appointed as an executive Director on 25 April 2006.

**Mr Chen Jin Shan**, aged 40, holds a bachelor degree in finance and accounting in the PRC. Mr Chen has over 10 years of accounting experience in private companies. He had also been a project manager for more than 6 years in an accounting firm. Mr Chen was appointed as an executive director of the Company on 25 April 2006. He is currently an independent non-executive director of Citychamp Dartong Company Limited which is listed on the Shanghai Stock Exchange.

#### **Non-executive Director**

**Dr Wong Yu Man, James**, aged 54, holds bachelor degrees in medicine and surgery from the University of Hong Kong. Dr Wong also holds a doctoral degree in medicine from Freiburg University in Germany. He has over 26 years of experience in medical and healthcare services in Hong Kong. Dr Wong has been appointed as the non-executive director of the Company on 20 March 2007.

#### **Independent non-executive Directors**

**Ms Wong Ka Wai, Jeanne**, aged 44, has over 20 years of experience in finance, accounting, taxation and corporate affairs. She is a member of the Institute of Chartered Accountants in Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Ms Wong holds a Bachelor Degree in Economics from the University of Sydney, Australia and she is currently the Chief Financial Officer of Pang & Associates, a law firm in Hong Kong and the Managing Director of a private company providing consulting and management services. Ms Wong is also currently an independent non-executive director and a member of the remuneration committee and the chairman of the audit committee of Cardlink Technology Group Limited which is listed on the GEM.

**Mr Hsu William Shiu Foo**, aged 57, was appointed as an independent non-executive Director on 2 November 2001. Mr Hsu is an Associate Professor at the School of Business at Brigham Young University, Hawaii. Mr Hsu has over 15 years' global business experience in tourism and related fields in various international corporations.

Mr Hsu holds a bachelor of arts degree from the Brigham Young University, Hawaii, a master degree from Cornell University, New York, in the United States and a doctoral degree in business administration from the University of Western Sydney in Australia. Mr Hsu is currently an independent non-executive director of Shen Nong China (Group) Limited which issued shares are listed on GEM. Mr Hsu was also previously an independent non-executive director of Kinetana International Biotech Pharma Limited, which has been delisted from GEM since 1 September 2006. Mr Hsu was also previously an independent non-executive director of Ming Kei Energy Holding Limited, which issued shares are listed on the GEM. Mr Hsu resigned as an independent non-executive director of Ming Kei Energy Holdings Limited in April 2007.

**Prof Yu Chai Mei**, aged 52, was appointed as an independent non-executive Director on 2 November 2001. Prof Yu is a Professor in the Department of Chemistry and the Director of Studies in Environmental Science Programme of The Chinese University of Hong Kong. Prof Yu possesses extensive knowledge in pollution treatment and environmental monitoring. Prof Yu obtained his doctoral degree in Chemistry at the University of Idaho, in the United States.

### **Senior Management**

**Dr Pan Xilong**, aged 40, is the Chief Medical Consultant of the Group. Dr Pan holds doctoral degrees in medicine and business administration. Dr Pan is the Associate Professor in the Beijing Institute of Public Hygiene. He also serves various posts in the state hygienic department in the PRC.

**Dr Xu Zhifu**, aged 59, is the Director of the hospital management of the Group. Dr Xu is in charge of cost control measures and marketing and business strategies of the Group. He was awarded "The Best President of Hospital in the PRC" by the Ministry of Health in the PRC.

**Mr Gu Lei**, aged 51, is the Chief Marketing and Sales Officer, Mr Gu is specialised in marketing strategies for healthcare management. He has worked as news reporter, editor and advertising operator for several news media agencies as well as chief officer and general manager for advertising agencies. Mr Gu is in charge of designing corporate structure, implementing information sharing system, developing marketing strategies for the Group.

**Dr Wang Yong**, aged 35, is the Operation Supervisor of the Group. Dr Wang Yong obtained his bachelor degree in medicine and a master degree in business administration. With over five years of work experience in the healthcare management sector, he has experience in the establishment and management of two large hospitals in the PRC. Dr Wang is in charge of making strategic and operation plans for the Group's healthcare management services.

**Dr Li Ying Jun**, aged 35, is the Deputy General Manager of hospital management and healthcare services of the Group. Dr Li obtained his bachelor degree in medicine from Zhe Jiang University and a master degree of business administration with focus in hospital management from Universite' de Poitiers in France. Dr Li is responsible for the risk management, investment strategies and quality control of the hospital management and healthcare services.

**Ms Chen Ling**, aged 36, is the General Manager of the Logistic Centre of the Group. Ms Chen obtained her bachelor degree in Economics from Fudan University in the PRC and master degree of business administration from La Trobe University in Melbourne, Australia. Ms Chen is in charge of the human resource and administrative functions of the Group.

**Mr Lam Williamson**, aged 34, is the Chief Financial Officer and Company Secretary of the Group. Mr Lam is responsible for the Group's financial and treasury functions. Mr Lam is a member of the Certified Practising Accountant in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr Lam has more than ten years of experience in handling accounting and company secretarial functions.

**Mr Lin Xiang**, aged 32, is the Financial Controller and is in charge of the finance and accounting functions of the general hospital and healthcare and hospital management services in the PRC. Mr Lin has worked for a number of enterprises as accounting and finance managers. Mr Lin holds a professional diploma in accounting and finance.

The business addresses of the Directors and the senior management are as follows:

Mr Yung	Room 1902
Dr Jiang Tao	19/F., Sing Pao Building
Mr Zheng	No. 101 King's Road
Ms Shum	North Point
Mr Cheng Jin Shan	Hong Kong
Dr Wong Yu Man, James	G/F., 2A Hing Fat Building
	11 Yu King Square, Yuen Long
	N.T., Hong Kong
Ms Wong Ka Wai, Jeanne	Unit 13B, Hang Lung House
	184-192, Queen's Road, Central
	Hong Kong
Mr Hsu William Shiu Foo	55-516A Moana Street, Laie
	Hawaii, 96762 USA
Prof Yu Chai Mei	Department of Environmental Science
	The Chinese University of Hong Kong
	Shatin, New Territories
	Hong Kong
Dr Pan Xilong	Industrial Base of HuiHao Medicine
Dr Xu Zhifu	Group & Conic Melamine Company
Mr Gu Lei	Yusheng Industrial Trading District
Dr Wang Yong	Min Hou, Fuzhou
Dr Li Ying Jun	Fujian, PRC
Ms Chen Ling	
Mr Lin Xiang	
Mr Lam Williamson	Room 1902
	19/F., Sing Pao Building
	No. 101 King's Road
	North Point
	Hong Kong

## 12. AUDIT COMMITTEE

The Company established an audit committee on 2 November 2001 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual reports and accounts, interim and quarterly reports and given advice and comments thereon to the Directors and (ii) to review and supervise the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms Wong Ka Wai, Jeanne, Mr Hsu William Shiu Foo and Prof Yu Chai Mei with Ms Wong Ka Wai, Jeanne acting as the chairman of the audit committee.

The Company has established a remuneration committee on 3 June 2005 in compliance with the code on corporate governance practices. The chairman of the committee is Ms Wong Ka Wai, Jeanne, and other members include Mr Hsu William Shiu Foo and Prof Yu Chai Mei, all of them are the independent non-executive Directors. The role and function of the remuneration committee include the determination of the specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

## 13. SHARE OPTION SCHEMES

As the Last Practicable Date, there were 146,536,162 outstanding Share Options, of which, 1,368,822 and 145,167,340 Share Options were granted pursuant to the respective Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. Details of the outstanding Share Options as at the Last Practicable Date were as follows:

### (i) Pre-IPO Share Option Scheme

As at the Latest Practicable Date, there were 1,368,822 outstanding Pre-IPO Share Options. A breakdown setting out the number of outstanding share options and their respective exercise price, both of which have been adjusted as a result of the share consolidation, the rights issue and open offer, and their respective exercise period under the Pre-IPO Share Option Scheme were as follows:

Categories of grantees	Exercise period	Exercise price	Number of Pre-IPO Share Options outstanding
Former employee and advisor of the Company	25 April 2002 to 24 April 2012	HK\$0.409	1,368,822

**(ii) Post-IPO Share Option Scheme**

As at the Latest Practicable Date, there were 145,167,340 outstanding Post-IPO Share Options. A breakdown setting out the number of Share Options outstanding, their respective exercise price and exercise period were as follows:

Categories of grantees	Exercise period	Exercise price	Number of Post-IPO Share Options outstanding
Mr Yung	13 July 2006 to 12 July 2016	HK\$0.627	3,242,085
	21 March 2007 to 20 March 2017	HK\$0.51	5,800,000
Dr Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000
Ms Shum	13 July 2006 to 12 July 2016	HK\$0.627	3,705,240
	21 March 2007 to 20 March 2017	HK\$0.51	7,100,000
Mr Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$0.627	15,681,105
	24 July 2006 to 23 July 2016	HK\$0.62	16,276,590
	21 March 2007 to 20 March 2017	HK\$0.51	71,800,000
Total			<u>145,167,340</u>

**14. EXPENSES**

The expenses in connected with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.95 million and will be payable by the Company.

**15. BINDING EFFECT**

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance.

**16. GENERAL**

As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

The English text of this Prospectus shall prevail over the Chinese text in the case of inconsistency.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong during normal business hours from the date of this Prospectus up to and including Wednesday, 15 October 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2007 and 31 March 2008 respectively;
- (c) the unaudited first quarterly report 2008/2009 of the Company for the three months ended 30 June 2008;
- (d) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this Prospectus;
- (e) the letter from HLB Hodgson Impey Cheng on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this Prospectus;
- (f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (g) the written consents referred to in the paragraph headed "Expert and consent" in this appendix;
- (h) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 March 2008, the date of the latest published audited consolidated financial statements of the Group were made up;
- (i) each of the service contracts referred to in paragraph headed "Directors Service Contract" in this appendix;
- (j) a letter from HLB Hodgson Impey Cheng dated 30 September 2008 for the adjustments in relation to the Share Options and the Convertible Notes; and
- (k) this Prospectus.