THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Xia Healthcare Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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)

(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES IN THE PROPORTION OF TWO BONUS SHARES FOR EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER); AND (2) AMENDMENTS TO ARTICLES OF ASSOCIATION; AND (3) INCREASE IN AUTHORISED SHARE CAPITAL; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

INCU Corporate Finance Limited

Underwriters

華富嘉洛證券有限公司
Quam Securities Company Limited

博大證券有限公司
Partners Capital Securities Limited

Independent Financial Adviser to the Independent Board Committee

VEDA | CAPITAL
智略資本

A letter from the Board is set out on pages 9 to 26 of this circular. A letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 43 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 27 of this circular.

A notice convening the EGM to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong at 11:00 a.m. on Monday, 16 February 2009 is set out on pages 182 to 185 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

It should be noted that if prior to 4:00 p.m. on the Latest Date for Termination,

(1) in the reasonable opinion of Quam Securities on behalf of the Underwriters, 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 any of the Underwriters, 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 Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Quam Securities on behalf of the Underwriters 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 Underwriters prior to the Latest Time for Termination.

If the Underwriters terminate 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.

* *For identification purposes only*

20 January 2009

GEM has been positioned as a market designed to accommodate companies to which a higher 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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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 30 December 2008 in relation to, among other things, the Open Offer with Bonus Issue, the amendments to the Articles and the increase in the authorised share capital of the Company
"Application Form(s)"	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
"Articles"	articles of association of the Company
"associates"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Bonus Issue"	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
"Bonus Shares"	the bonus Shares to be issued (for no additional payment) to the first registered holders of Offer Shares on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer subject to the terms and conditions as set out in the Underwriting Agreement
"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 with an aggregate principal amount of HK$15,000,000 conferring rights to convert to a total of 42,613,637 Shares on the basis of an initial conversion price of HK$0.352 per Share (subject to adjustment)
"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
"EGM"	the extraordinary general meeting of the Company to be convened and held on 16 February 2009 to consider and approve among other matters, the Open Offer with Bonus Issue and the transactions contemplated hereby, the amendments to the Articles and the increase in authorized share capital of the Company
"Excluded Options"	a total of 142,520,740 Post-IPO Share Options granted under the Post-IPO Share Option Scheme, including the 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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	An independent board committee comprising the three independent non-executive Directors, namely Ms Wong Ka Wai, Jeanne, Mr Hsu William Shiu Foo and Prof Yu Chai Mei
"Independent Shareholders"	Shareholders other than the Directors (excluding the independent non-executive Directors) and their respective associates

"Latest Lodging Date"	being 4:30 p.m. on 11 February 2009 or such other date and/or time as Quam Securities on behalf of the Underwriters and the Company may agree as 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"	16 January 2009, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Latest Time for Acceptance"	4:00 p.m. on 6 March 2009 or such later time or date as may be agreed between the Company and Quam Securities on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
"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 Quam Securities on behalf of the Underwriters, 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 Zheng"	Mr Zheng Gang, an executive Director
"Ms Shum"	Ms Shum Ngai Pan, an executive Director
"Offer Share(s)"	not less than 899,022,397 new Shares and not more than 922,336,926 new Shares, proposed 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

"PCSL"	Partners Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 20 April 2002 which only came into effect after the initial listing of the Shares on GEM on 10 May 2002
"Post-IPO Share Options"	options to subscribe for Shares granted under the Post-IPO Share Option Scheme
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"Pre-IPO Share Options"	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
"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"	a prospectus containing details of the Open Offer
"Prospectus Documents"	the Prospectus and the Application Form
"Prospectus Posting Date"	19 February 2009 or such later date as may be agreed between the Underwriters 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
"Quam Securities"	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

"Record Date"	16 February 2009 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under 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
"Subscription Price for Offer Share and Bonus Share"	the average subscription price of HK$0.0167 taking into account of one fully paid Offer Share and two nil paid Bonus Shares
"Underwriters"	Quam Securities and PCSL
"Underwriting Agreement"	the underwriting agreement amongst the Company, the Underwriters and Mr Yung dated 24 December 2008 in relation to the Open Offer with Bonus Issue
"Underwritten Shares"	not less than 703,575,647 Offer Shares and not more than 734,654,151 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Ms Shum and Mr Zheng
"Veda Capital"	Veda Capital Limited, a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO, an independent financial adviser to the Independent Board Committee
"HK$"	Hong Kong dollars
"%"	per cent.

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

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date
Subscription Price:	HK$0.05 per Offer Share payable in full on application
Number of existing Shares in issue:	1,798,044,795 Shares as at the Latest Practicable Date
Number of Open Offer Shares to be issued:	Not less than 899,022,397 Offer Shares and not more than 922,336,926 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options have undertaken to the Company, the Underwriters and Mr Yung not to exercise the Post-IPO Share Options respectively held by them on or before the Latest Lodging Date)
Number of Bonus Shares:	Not less than 1,798,044,794 Bonus Shares and not more than 1,844,673,852 Bonus Shares to be issued to the first registered holders of the Open Offer on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer
Amount to be raised by the Open Offer:	Not less than approximately HK$44.95 million and not more than approximately HK$46.12 million (before expenses)
Right of excess application:	the Qualifying Shareholders will not have the right to apply for excess Offer Shares

Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriters. The Offer Shares are therefore fully underwritten.

EXPECTED TIMETABLE

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.

	2009
Last day of dealings in Shares on a cum-entitlement basis	Monday, 9 February
First day of dealings in Shares on an ex-entitlement basis	Tuesday, 10 February
Latest Lodging Date	4:30 p.m. on Wednesday, 11 February
Register of members of the Company closes (both dates inclusive)	Thursday, 12 February to Monday, 16 February
EGM	Monday, 16 February
Record Date	Monday, 16 February
Register of members re-opens	Tuesday, 17 February
Despatch of the Prospectus Documents	Thursday, 19 February
Latest time for acceptance of, and payment for, the Open Offer	4:00 p.m. on Friday, 6 March
Latest Time for Termination	4:00 p.m. on Thursday, 12 March
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 Thursday, 12 March
Announcement of results of the Open Offer on the GEM's website	Thursday, 12 March
Certificates for the Offer Shares and Bonus Shares to be despatched on or before	Friday, 13 March
Dealings in fully-paid Offer Shares and Bonus Shares commence on	Tuesday, 17 March

All times stated above refer to Hong Kong times. Dates stated in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Open Offer will be announced as appropriate.

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

The Latest Time for Acceptance 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

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 6 March 2009. 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 6 March 2009. Instead the latest time of acceptance of any 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 and payment for the Open Offer does not take place on 6 March 2009, the dates mentioned in the section headed "Expected timetable" in this circular may be affected. An announcement will be made by the Company in such event.

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

Non-executive Director:
Dr Wong Yu Man, James

Independent non-executive Directors:
Ms Wong Ka Wai, Jeanne
Mr Hsu William Shiu Foo
Prof Yu Chai Mei

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

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

20 January 2009

To the Shareholders and, for information only, holders of the Share Options and the Convertible Notes

Dear Sir or Madam,

(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES IN THE PROPORTION OF TWO BONUS SHARES FOR EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER); AND
(2) AMENDMENTS TO ARTICLES OF ASSOCIATION; AND
(3) INCREASE IN AUTHORISED SHARE CAPITAL; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 30 December 2008, the Company announced that the Board proposed to (1) 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 930,100,901 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 Record Date with Bonus Issue; (2) amend the Articles; and (3) increase the authorised share capital of the Company.

* *For identification purposes only*

Subsequent to the date of the Announcement and before the Latest Practicable Date, the Company has repaid the convertible notes with an aggregate principal amount of HK$2,500,000 which conferring rights to convert to a total of 15,527,950 Shares on the basis of the initial conversion price of HK$0.161 per Share. Accordingly the total maximum number of the Offer Shares has been decreased from 930,100,901 Offer Shares to 922,336,926 Offer Shares and the total maximum number of the Bonus Shares has been decreased from 1,860,201,802 Bonus Shares to 1,844,673,852 Bonus Shares.

As the Open Offer with the Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12-month period immediately preceding the date of the Announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, Shareholders who are interested or involved in the Open Offer, being the Directors, namely Mr Yung, Ms Shum and Mr Zheng and Easeglory, a company wholly and beneficially owned by Mr Yung, together with their respective associates, will abstain from voting at the EGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules. As at the Latest Practicable Date, Easeglory was beneficially interested in 375,706,000 Shares and Mr Yung was beneficially interested in 6,187,500 Shares. Mr Yung was, in aggregate, interested in 381,893,500 Shares, representing approximately 21.24% of the entire issued share capital of the Company. Ms Shum and Mr Zheng were beneficially interested in 5,400,000 Shares, representing approximately 0.3% of the entire issued share capital of the Company, and 3,600,000 Shares, representing approximately 0.20% of the entire issued share capital of the Company, respectively.

The Independent Board Committee has been established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer. Veda Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, further details of (i) the Open Offer with Bonus Issue; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Open Offer with Bonus Issue; (iii) the advice from Veda Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer with Bonus Issue; (iv) amendments to Articles; (v) increase in authorised share capital of the Company; (vi) financial information of the Group; and (vii) the notice of the EGM.

PROPOSED OPEN OFFER

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 Open Offer Shares to be issued:	Not less than 899,022,397 Offer Shares and not more than 922,336,926 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options have undertaken to the Company, the Underwriters and Mr Yung not to exercise the Post-IPO Share Options respectively held by them on or before the Latest Lodging Date)

Number of Bonus Shares:	Not less than 1,798,044,794 Bonus Shares and not more than 1,844,673,852 Bonus Shares to be issued to the first registered holders of the Open Offer on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer
Subscription Price:	HK$0.05 per Offer Share payable in full on application

As at the Latest Practicable Date, the Company had 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 42,613,637 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 189,149,799 Shares. Save as disclosed above, the Company did not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holder of the Offer Shares on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer.

On the basis of not less than 899,022,397 Offer Shares and not more than 922,336,926 Offer Shares to be issued under the Open Offer, not less than 1,798,044,794 Bonus Shares and not more than 1,844,673,852 Bonus Shares will be issued.

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. Taking into account the Bonus Shares to be issued, the Subscription Price for Offer Share and Bonus Share is HK$0.0167. The Subscription Price and the Subscription Price for Offer Share and Bonus Share represent:

1. a discount of approximately 7.41% and 69.07% respectively to the closing price of HK$0.054 per Share as quoted on the Stock Exchange on 24 December 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares in connection with the Open Offer;

2. a discount of approximately 3.85% and 67.88% respectively to the average of the closing prices of HK$0.052 per Share quoted on the Stock Exchange for the five trading days up to and including 24 December 2008;

3. a discount of approximately 5.12% and 68.31% respectively to the average of the closing prices of HK$0.0527 per Share as quoted on the Stock Exchange for the 10 trading days up to and including 24 December 2008;

4. a premium of approximately 58.23% over and a discount of approximately 47.15% to the theoretical ex-entitlement price of HK$0.0316 respectively based on the closing price of HK$0.054 per Share as quoted on the Stock Exchange on 24 December 2008; and

5. a premium of approximately 2.04% over and a discount of approximately 65.92% to the average of the closing prices of HK$0.049 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price and the Subscription Price for Offer Share and Bonus Share were arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. In view of the recent financial requirements of the Group as mentioned in the section headed "REASONS FOR THE OPEN OFFER" and taking into consideration of the theoretical ex-entitlement price per Share, in order to increase the attractiveness of the Open Offer with Bonus Issue to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price and the Subscription Price for Offer Share and Bonus Share to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price and the Subscription Price for Offer Share and Bonus Share are fair and reasonable and in the interest 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 Wednesday, 11 February 2009.

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.

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Thursday, 12 February 2009 to Monday, 16 February 2009, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

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.

Status of the Offer Shares and Bonus Shares

The Offer Shares (when allotted and fully paid) and the Bonus Shares 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 and Bonus Shares. Holders of fully paid Offer Shares and holders of the Bonus 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 and Bonus Shares.

Share Certificates for Offer Shares and Bonus 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 and Bonus Shares are expected to be posted on or before Friday, 13 March 2009 to those Qualifying 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 Underwriters.

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 Underwriters, 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 Underwriters.

Odd lots arrangements

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

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and Bonus Shares. The Offer Shares and Bonus Shares are expected to continue to be traded in existing board lot of 20,000 Shares. Dealings in the Offer Shares and Bonus 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 and Bonus Shares on the Stock Exchange, the Offer Shares and Bonus 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 and Bonus 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 ARRANGEMENTS

Underwriting Agreement

Date:	24 December 2008
Underwriters:	Quam Securities and PCSL To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriters and their 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:	Not less than 899,022,397 Offer Shares and not more than 930,100,901 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options have undertaken to the Company, the Underwriters and/or Mr Yung not to exercise the Post-IPO Share Options respectively held on or before the Latest Lodging Date)
Number of Bonus Shares:	Not less than 1,798,044,794 Bonus Shares and not more than 1,860,201,802 Bonus Shares to be issued to the first registered holders of the Open Offer on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer

Number of Underwritten Shares:	Not less than 703,575,647 Offer Shares and not more than 734,654,151 Offer Shares
Commission:	an underwriting commission of 2.75% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

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 375,706,000 Shares. Pursuant to the Underwriting Agreement, Mr Yung has irrevocably undertaken to the Company and the Underwriters (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 3,093,750 Offer Shares and 187,853,000 Offer Shares to which he and Easeglory respectively are entitled 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 Underwriters 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 2,700,000 Offer Shares to which Ms Shum is entitled 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 Underwriters and Mr Yung to subscribe for or procure the subscription of 1,800,000 Offer Shares to which Mr Zheng is entitled pursuant to the Open Offer.

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, Dr Jiang Tao and Mr Chen Jin Shan, all being executive Directors are respectively interested in and 101,111,095 Post-IPO Share Options which employees and consultants of the Company are interested in) granted under the Post-IPO Share Option Scheme have given an irrevocable undertaking to the Company, the Underwriters and Mr Yung not to exercise on or before the Latest Lodging Date the Post-IPO Share Options granted to the holder.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite:

i. not less than 703,575,647 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date); and

ii. not more than 734,654,151 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options (excluding the Excluded Options) and the conversion rights attaching to the Convertible Notes are 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 Quam Securities on behalf of the Underwriters, 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters 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 Quam Securities on behalf of the Underwriters, 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 Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Quam Securities on behalf of the Underwriters 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 Underwriters terminate the Underwriting Agreement, the Open Offer with Bonus Issue will not proceed.

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 GEM 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 and the Bonus Shares by no later than the first day of their dealings;

(4) the obligations of the Underwriters 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 and Mr Zheng in favour of the Company, the Underwriters and Mr Yung to subscribe for 2,700,000 Offer Shares and 1,800,000 Offer Shares to which Ms Shum and Mr Zheng respectively entitled under the Open Offer;

(6) compliance with and performance of an irrevocable undertaking by each of the holders of the Excluded Options in favour of the Company, the Underwriters and/or Mr Yung not to exercise the Post-IPO Share Options;

(7) compliance with and performance of all undertakings and obligations of Mr Yung under the Underwriting Agreement; and

(8) the passing by no later than the Prospectus Posting Date by the Shareholders (or, where appropriate, Independent Shareholders) at the EGM the following resolutions:

    (i) a special resolution to approve the amendments to the Articles to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company; and

    (ii) an ordinary resolution to approve the Open Offer with Bonus Issue by way of poll.

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 Underwriters 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 and Bonus Shares or to give effect to the Open Offer with Bonus Issue and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriters terminate the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer with Bonus Issue 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 will be dealt with on an ex-entitlement basis commencing from Tuesday, 10 February 2009 and that dealings in such Shares will take 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 to are fulfilled (which is expected to be on or before 4:00 p.m. on Thursday, 12 March 2009), will accordingly bear the risk that the Open Offer with Bonus Issue cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER WITH BONUS ISSUE

Scenario 1:

Assuming all the Pre-IPO Share Options, the Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date:

	As at the Latest Practicable Date		**Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in *Note 1***		**Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in *Note 2***	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Mr Yung and Easeglory *(Note 3)*	381,893,500	21.24%	954,733,750	21.24%	954,733,750	21.24%
Ms Shum *(Note 4)*	5,400,000	0.30%	13,500,000	0.30%	13,500,000	0.30%
Mr Zheng *(Note 4)*	3,600,000	0.20%	9,000,000	0.20%	9,000,000	0.20%
Underwriters *(Note 5)*:						
PCSL *(Note 5)*	–	–	–	–	900,000,000	20.02%
Quam Securities *(Note 5)*	–	–	–	–	1,210,726,941	26.93%
Subtotal	–	–	–	–	2,110,726,941	46.95%
Public Shareholders	1,407,151,295	78.26%	3,517,878,236	78.26%	1,407,151,295	31.31%
Total	1,798,044,795	100%	4,495,111,986	100%	4,495,111,986	100%

Scenario 2:

Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date:

	As at the Latest Practicable Date		Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in *Note 1*		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in *Note 2*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Mr Yung and Easeglory *(Note 3)*	381,893,500	21.24%	381,893,500	20.70%	954,733,750	20.70%	954,733,750	20.70%
Ms Shum *(Note 4)*	5,400,000	0.30%	5,400,000	0.29%	13,500,000	0.29%	13,500,000	0.29%
Mr Zheng *(Note 4)*	3,600,000	0.20%	3,600,000	0.20%	9,000,000	0.20%	9,000,000	0.20%
Underwriters *(Note 5)*								
PCSL *(Note 5)*	–	–	–	–	–	–	900,000,000	19.52%
Quam Securities *(Note 5)*	–	–	–	–	–	–	1,280,670,528	27.77%
Subtotal	–	–	–	–	–	–	2,180,670,528	47.29%
Holders of the Pre-IPO Share Options	–	–	1,368,822	0.07%	3,422,055	0.07%	1,368,822	0.03%
Holders of the Post-IPO Share Options *(Note 6)*	–	–	2,646,600	0.14%	6,616,500	0.14%	2,646,600	0.06%
Holder of the Convertible Notes	–	–	42,613,637	2.31%	106,534,091	2.31%	42,613,637	0.92%
Public Shareholders	1,407,151,295	78.26%	1,407,151,295	76.29%	3,517,878,236	76.29%	1,407,151,295	30.51%
Total	1,798,044,795	100%	1,844,673,854	100%	4,611,684,632	100%	4,611,684,632	100%

Notes:

1. Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.

2. Assuming none of the Shareholders (save for the Mr Yung and Easeglory, Ms Shum and Mr Zheng who have undertaken to subscribe for, or procure the subscription of their pro-rata entitlement 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 Underwriters will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.

3. 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 375,706,000 Shares.

4. Ms Shum and Mr Zheng are executive Directors.

5. The Underwriters have entered into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, none of the Underwriters and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respectively ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

6. The 2,646,600 Post-IPO Share Options represents the total number of Post-IPO Share Options less the Excluded Options.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the Announcement, 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 with Bonus Issue 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 with Bonus Issue 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$42.5 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) 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.

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) in 2007. 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, 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.

On 17 July 2008, the Group had 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.

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, the subscription price and conversion price of the respective Share Options and the Convertible Notes will be adjusted in accordance with the Share Option Schemes, the respective deed polls of the Convertible Notes upon the Open Offer becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Share Options and the holders of the Convertible Notes the respective adjustments upon the Open Offer becoming unconditional. The Company will notify the holders of the Share Options and the Convertible Notes the required adjustment(s) as soon as practicable and details of adjustments will be provided in the Prospectus in respect of the Open Offer to be despatched to the Shareholders.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been appointed to give recommendation to the Independent Shareholders in respect of the Open Offer with Bonus Issue. Your attention is drawn to the recommendation of the Independent Board Committee set out in its letter on page 27 of this circular.

INDEPENDENT FINANCIAL ADVISER

Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer with Bonus Issue. Your attention is drawn to its letter to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 43 of this circular.

AMENDMENTS TO THE ARTICLES

The Board proposes to put forward a special resolution to the Shareholders for approval at the EGM in respect of the amendments to Article 147 of the Articles to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company.

By deleting Article 147 in its entirety and substituting the following therefor:

> "The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the Members or any class of Members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution."

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$250,000,000 divided into 5,000,000,000 Shares of HK$0.05 each of which 1,798,044,795 Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK$250,000,000 divided into 5,000,000,000 Shares of HK$0.05 each to HK$500,000,000 divided into 10,000,000,000 Shares of HK$0.05 each. The Board has no present intention of issuing the authorised share capital proposed to be increased.

PROCEDURES TO DEMAND A POLL AT GENERAL MEETING

According to article 66(1) of the Articles, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Pursuant to Rule 17.47 of GEM Listing Rules, all the resolutions put to the vote at the EGM will be taken by poll.

EGM

A notice convening the EGM at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong on 16 February 2009 at 11:00 a.m. is set out on pages 182 to 185 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

RECOMMENDATIONS

The Directors believe that the proposed amendments to the Articles and the proposed increased in the authorised share capital of the Company are in the interests of the Company and the Shareholders as a whole. The Directors further believe that the terms of the Open Offer with Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend the Independent Shareholders and the Shareholders (as the case maybe) to vote in favour of the relevant resolutions to be proposed at the EGM to approve the amendments of the Articles, the Open Offer with Bonus Issue and the proposed increase in the authorised share capital of the Company.

Shareholders are advised to read carefully the letter from the Independent Board Committee as set out on page 27 of this circular. The Independent Board Committee, having taken into account the advice of Veda Capital, the text of which is set out on pages 28 to 43 of this circular, considers that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned, and the Open Offer with Bonus Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Open Offer with Bonus Issue.

ADDITIONAL INFORMATION

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

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

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.

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)

20 January 2009

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES IN THE PROPORTION OF TWO BONUS SHARES FOR EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER)

We refer to the circular of the Company dated 20 January 2009 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise you as to whether the terms of the Open Offer with Bonus Issue are fair and reasonable. Veda Capital has been appointed as independent financial adviser to advise you and us in this regard.

Having taken into account the principal reasons and factors considered by, and the advice of, Veda Capital as set out in its letter of advice to you and us on pages 28 to 43 of the Circular, we are of the opinion that the Open Offer with Bonus Issue is in the interests of the Company and its Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Open Offer with Bonus Issue.

For and on behalf of the Independent Board Committee
Ms Wong Ka Wai, Jeanne **Mr Hsu William Shiu Foo** **Prof Yu Chai Mei**

* *For identification purposes only*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer with Bonus Issue, which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Voeux Road Central
Hong Kong

20 January 2009

To the Independent Board Committee and
the Independent Shareholders of
Hua Xia Healthcare Holdings Limited

Dear Sirs,

PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES IN THE PROPORTION OF TWO BONUS SHARES FOR EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER)

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, details of which are set out in the letter from the Board (the "Board Letter") contained in this circular (the "Circular") dated 20 January 2009 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 December 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 930,100,901 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 with the Bonus Issue.

Subsequent to the date of the Announcement and before the Latest Practicable Date, the Company has repaid the convertible notes with an aggregate principal amount of HK$2,500,000 with conferring rights to convert to a total of 15,527,950 Shares on the basis of the initial conversion price of HK$0.161 per Share. Accordingly the total maximum number of the Offer Shares has been decreased from 930,100,901 Offer Shares to 922,336,926 Offer Shares and the total maximum number of the Bonus Shares has been decreased from 1,860,201,802 Bonus Shares to 1,844,673,852 Bonus Shares.

As the Open Offer with Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12 months immediately preceding the date of the Announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules.

The Independent Board Committee (comprising the independent non-executive Directors, namely Ms Wong Ka Wai, Jeanne, Mr Hsu William Shiu Foo and Prof Yu Chai Mei) which is not involved in or has no interest in the Open Offer with Bonus Issue and thus being independent, has been established to advise the Independent Shareholders in respect of the Open Offer with Bonus Issue. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Open Offer with Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Open Offer with Bonus Issue is in the interests of the Company and the Independent Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the ordinary resolution to approve the Open Offer with Bonus Issue.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions contained or referred to in the Circular and all information, representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. There is no reason for us to believe any information relied on by us in forming our opinion; or any information relied on by any third party expert on whose opinion or advice we rely in forming our opinion is not true or omits a material fact. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares and/or Bonus Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares and/or Bonus Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer with Bonus Issue and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Open Offer with Bonus Issue and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

Financial and business highlights of the Group

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

Financial year 2007 versus financial year 2006

Turnover of the Group for the year ended 31 March 2007 was approximately HK$77.5 million, representing an increase of approximately 89% from that for the year ended 31 March 2006 of approximately HK$41.1 million. Profit from operations was approximately HK$9.0 million for the year ended 31 March 2007 in comparison with HK$4.0 million in financial year 2006, representing an increase of approximately 129%. Net profit attributable to Shareholders for the year ended 31 March 2007 was approximately HK$6.0 million in comparison with a net profit attributable to Shareholders of approximately HK$3.2 million in the previous year, representing an increase of profitability of approximately 87%.

The improvement in revenue for the year ended 31 March 2007 was mainly driven by the contribution in turnover by the manufacture and sales of melamine and its related products and provision of hospital management services in the PRC. The turnover of these new lines of products and services represented approximately HK$55.0 million equivalent to approximately 70% of the Group's turnover for the year ended 31 March 2007. Selling and distribution expenses for the year ended 31 March 2007 decreased by approximately 40% to approximately HK$1.2 million as compared to approximately HK$2.0 million for the previous year. The decrease was mainly attributable to the decrease in commission expenses associated with the sales of energy saving products. Administrative expenses for the year ended 31 March 2007 amounted to approximately HK$30.1 million, representing an increase of approximately 63% over that for the year ended 31 March 2006 of approximately HK$18.4 million. The increase was mainly due to the recognition of equity-settled share base payment of approximately HK$5.0 million in respect of the share options granted during the year. Adjusted for this non-cash flow expense, the administrative expenses increased by approximately 36% as a result of increase in professional expenses incurred for the rights issue and open offer, the acquisition of a subsidiary and increase in the travelling expenses.

Financial year 2008 versus financial 2007

Turnover of the continuing operations of the Group for the year ended 31 March 2008 was approximately HK$114.2 million in comparison with approximately HK$33.7 million (restated) for the year ended 31 March 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 Group was approximately HK$74.6 million in comparison with HK$30.3 million (restated) for the year ended 31 March 2007. Net loss attribute to the Shareholders for the year ended 31 March 2008 was approximately HK$17.9 million mainly due to the provision of the impairment loss on goodwill of approximately HK$30.3 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 amounted to approximately HK$5.7 million as compared to approximately HK$0.4 million (restated) for the previous financial 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$35.6 million, representing an increase of approximately 82% from approximately HK$19.524 million (restated) for the year ended 31 March 2007. 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.

Six months ended 30 September 2008 versus six months ended 30 September 2007

Turnover of the Group for the six months ended 30 September 2008 was approximately HK$103.7 million in comparison with a turnover of approximately HK$66.1 million for the six months ended 30 September 2007, representing an increase of approximately 57%. Net profit attributable to Shareholders for the six months ended 30 September 2008 was approximately HK$10.7 million in comparison with a net profit of approximately HK$14.5 million for the six months ended 30 September 2007.

The improvement in revenue for the six months ended 30 September 2008 was mainly driven by the increased contribution in turnover by the provision of general hospital services in the PRC. Administrative expenses for the six months ended 30 September 2008 was approximately HK$33.9 million which was an increase of approximately 74% as compared with the corresponding period ended 30 September 2007. The increase was due to the increase of professional and operating expenses incurred from the acquisition and operation of the hospitals in the PRC during the period.

Recent developments of the Group in the latest financial year

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, 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 have been consolidated with that of the Group.

On 17 July 2008, the Group had 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 have 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.

Reasons for the Open Offer

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 with Bonus Issue 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 with Bonus Issue, 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 with Bonus Issue 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$42.5 million (assuming no outstanding Share Options and no rights attaching to the Convertibles Notes are exercised on or before the

Record Date) 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.

Terms of the Open Offer with Bonus Issue

The Open Offer is on the basis of one Offer Share for every two Shares held on the Record Date with the Bonus Issue on the basis of two Bonus Shares for every Offer Share taken up under the Open Offer at the Subscription Price of HK$0.05 per Offer Share, payable in full on application. Taking into account the Bonus Shares to be issued, the Subscription Price for Offer Share and Bonus Share is HK$0.0167. The Subscription Price and the Subscription Price for Offer Share and Bonus Share represents:

(i) a discount of approximately 7.41% and approximately 69.07% respectively to the closing price of HK$0.054 per Share as quoted on the Stock Exchange on 24 December 2008, being the last trading day (the "**Last Trading Day**") of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares in connection with the Open Offer;

(ii) a discount of approximately 3.85% and approximately 67.88% respectively to the average of the closing prices of HK$0.052 per Share as quoted on the Stock Exchange for five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 5.12% and approximately 68.31% respectively to the average closing prices of HK$0.0527 per Share as quoted on the Stock Exchange for ten trading days up to and including the Last Trading Day;

(iv) a premium of approximately 58.23% and a discount of approximately 47.15% to the theoretical ex-entitlement price of HK$0.0316 per Share respectively based on the closing price of HK$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(v) a premium of approximately 2.04% and a discount of approximately 65.92% respectively to the closing price of HK$0.049 per Share on the Latest Practicable Date.

(a) Review on share prices and historical closing prices

The average daily closing price, the highest closing price, the lowest closing price and the average daily trading volume of the Shares as quoted on the Stock Exchange in each of the months during the period commencing from 2 July 2008 (being the commencement of the six-month period preceding the Last Trading Day, as we consider a six-month period provides a broad and sufficient time basis for assessing the performance of the Shares) up to and including the Last Trading Day (the "**Review Period**") are shown as follows:

Month	Average daily closing price	Highest closing price	Lowest closing price	Average daily trading volume of the month[1]	% of average daily trading volume of the month to the Shares in issue[2]
	(HK$)	*(HK$)*	*(HK$)*	*(Shares)*	*(%)*
July 2008	0.1512	0.1580	0.1430	878,636	0.0489
August 2008	0.1316	0.1540	0.1090	1,880,316	0.1046
September 2008	0.0730	0.1190	0.0540	4,267,368	0.2173
October 2008	0.0490	0.0600	0.0360	2,184,922	0.1215
November 2008	0.0539	0.0600	0.0470	316,000	0.0176
December 2008 (up to and including the Last Trading Day)	0.0519	0.0550	0.0490	1,074,444	0.0598

Source: the Stock Exchange web-site (www.hkex.com.hk)

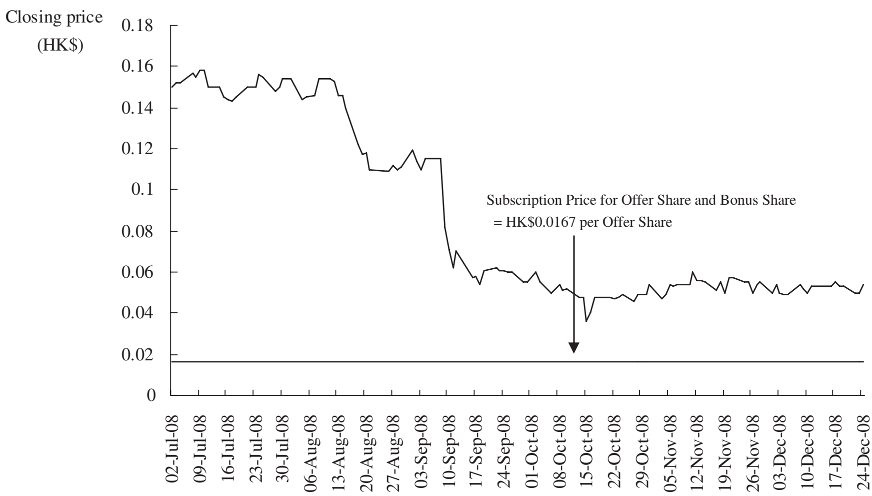
Notes:

1. Average daily trading volume was calculated excluding any days when trading of the Shares was suspended. The trading of the Shares was suspended during the days of 5 September and 8 September 2008.

2. The Company has 1,798,044,795 Shares in issue as at the Latest Practicable Date.

As shown in the above table, the Subscription Price for Offer Share and Bonus Share is lower than all the monthly highest, lowest and average closing price of the Shares during the Review Period.

We also reviewed the historical closing price of the Shares versus the Subscription Price for Offer Share and Bonus Share during the Review Period. The following chart illustrates the historical closing price of the Shares versus the Subscription Price for Offer Share and Bonus Share during the Review Period:

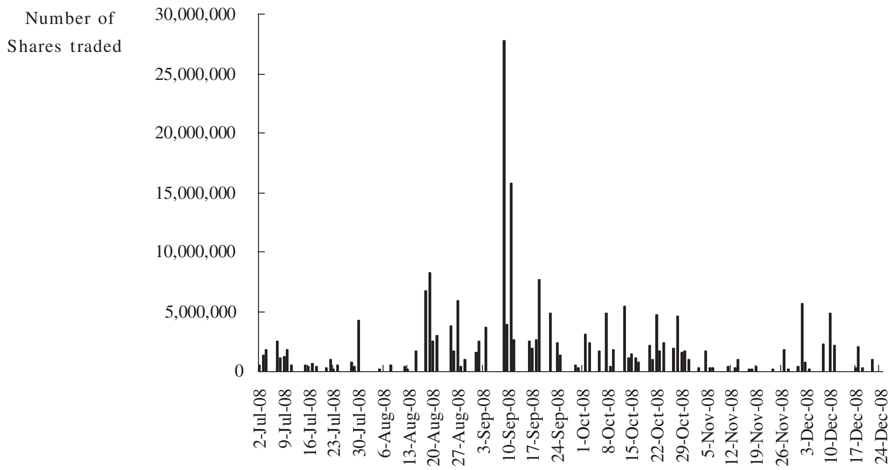


Note: The trading of the Shares was suspended during the days of 5 and 8 September 2008.

As shown in the above chart, the closing price of the Shares ranged from HK$0.036 per Share to HK$0.158 per Share during the Review Period. Throughout the Review Period, the Shares were traded above the Subscription Price for Offer Share and Bonus Share of HK$0.0167 per Offer Share. The Subscription Price for Offer Share and Bonus Share of HK$0.0167 per Offer Share represents a discount of approximately 81% to the average closing price of approximately HK$0.0862 per Share during the Review Period. We observe that it is common amongst the Comparables (as defined hereinafter) that, in order to enhance the attractiveness of an open offer exercise, the subscription price of an open offer normally represents a discount to the prevailing market prices of the relevant shares (Please refer to the table illustrated in the section headed "Comparisons with other open offers" below). Hence, the fact that the Subscription Price for Offer Share and Bonus Share is lower than the prevailing market prices of the Shares is in line with the practice for the Comparables (as defined hereinafter) and is acceptable.

(b) Review on the trading volume of the Shares

The following chart illustrates the historical trading volume of the Shares as quoted on the Stock Exchange during the Review Period:



Note: The trading of the Shares was suspended during the days of 5 September and 8 September 2008.

As shown in the "Percentage of average daily trading volume of the month to the Shares in issue" of the table in the subsection (a) headed "Review on share prices and historical closing prices" above in this letter, we noted the liquidity of the Shares has been relatively low throughout the Review Period. The chart above in this subsection further shows that the liquidity of the Shares was particularly low between November 2008 and December 2008 (up to the Last Trading Day), with an average daily trading volume ranging from 316,000 Shares to 1,074,444 Shares, or approximately 0.0176% to 0.0598% of the Company's issued share capital of 1,798,044,795 Shares. After publication of the Announcement and up to the Latest Practicable Date, the average daily trading volume increase to approximately 3,015,000 Shares, or approximately 0.1677% of the Company's Shares in issue.

In view of the relatively low liquidity of the Shares on the Stock Exchange, we consider open offers and rights issues will be more practicable means for the Company to raise funds as compared to placing of new Shares. Meanwhile, an open offer will have better time and cost efficiency over rights issue as it will not have a trading period for nil-paid entitlements. As such, we consider that the Open Offer is in the interests of the Company and Shareholders as a whole when considering equity fund raising.

Comparison with other open offers

In assessing the fairness and reasonableness of the Subscription Price for Offer Share and Bonus Share, we consider a broader comparison of open offers of ordinary shares of other listed companies to provide a more general reference for the pricing of the Open Offer. To the best of our knowledge, we have identified and reviewed all, being 14 open offers (the "**Comparables**") of the companies that are listed on the main board or growth enterprise market of the Stock Exchange, which announced the respective open offers during the Review Period. Details of the Comparables are summarized in the following table:

Date of announcement	Company name (Stock code)	Offer ratio	Subscription price *(HK$)*	Closing price as at the last trading day before the date of announcement *(HK$)*	Premium/ (Discount) I *(Note 1)* *(%)*	Premium/ (Discount) II *(Note 2)* *(%)*	Dilution *(Note 3)* *(%)*	Underwriting Commission *(%)*
10 Dec 08	China Overseas Land & Investment Limited (688)	1 for 25	8.0	12.04	(34.00)	(32.69)	3.85	2.5
10 Dec 08	Solartech International Holdings Limited (1166)	4 for 1	0.027	0.055	(51.00)	(17.18)	80.00	2.5
8 Dec 08	China Star Entertainment Limited (326)	2 for 1 (3 bonus shares for 1 offer share)	0.013 *(Note 4)*	0.125	(90.00)	(66.67)	83.33	not mentioned
4 Dec 08	Brilliant Arts Multi-Media Holding Limited (8130)	9 for 1	0.040	0.315	(87.30)	(40.74)	90.00	not mentioned
28 Nov 08	Golife Concepts Holdings Limited (8172)	2 for 5	0.050	0.061	(18.03)	(13.58)	28.57	1
19 Nov 08	China Botanic Development Holdings Limited (2349)	1 for 2	0.080	0.095	(15.79)	(11.11)	33.33	0
18 Nov 08	Dore Holdings Limited (628)	1 for 2	1.000	0.490	104.00	51.52	33.33	2

Date of announcement	Company name (Stock code)	Offer ratio	Subscription price *(HK$)*	Closing price as at the last trading day before the date of announcement *(HK$)*	Premium/ (Discount) I *(Note 1)* *(%)*	Premium/ (Discount) II *(Note 2)* *(%)*	Dilution *(Note 3)* *(%)*	Underwriting Commission *(%)*
16 Oct 08	Apex Capital Limited (905)	5 for 1	0.025	0.070	(64.29)	(23.08)	83.33	2.5
26 Aug 08	Global Flex Holdings Limited (471)	2 for 5 (1 warrant for 4 offer shares taken up)	0.100	0.110	(9.10)	(6.67)	28.57	3.5
21 Aug 08	Chinney Alliance Group Limited (385)	1 for 2	0.250	0.260	(3.85)	(2.60)	33.33	2
8 Aug 08	NewOcean Energy Holdings Limited (342)	1 for 1	0.3	0.44	(31.82)	(18.92)	50.00	0
7 Aug 08	Fortuna International Holdings Limited (530)	5 for 1	0.02	0.145	(86.21)	(51.02)	83.33	3
22 Jul 08	Hycomm Wireless Limited (499)	1 for 2	0.1	0.155	(35.50)	(26.83)	33.33	2.5
18 Jul 08	Dynamic Global Holdings Limited (231)	1 for 1	0.12	0.154	(22.08)	(12.41)	50.00	0
			Highest		**104.00**	**51.52**	**90.00**	**3.50**
			Lowest		**(90.00)**	**(66.67)**	**3.85**	**0.00**
			Mean		**(31.78)**	**(19.43)**	**51.02**	**1.73**
30 Dec 08	**The Company**	**1 for 2 (2 Bonus Shares for every Offer Share)**	**0.0167** *(Note 4)*	**0.054**	**(69.07)**	**(47.15)**	**60%**	**2.75%**

Source: www.hkex.com.hk and the respective announcements containing details of the Comparables

Notes:

1. The discount of the subscription price to the closing price per share on the last trading day prior to the announcements in relation to the respective open offers.

2. The discount of the subscription price to the theoretical ex-entitlement price per share based on the closing price per share on the last trading day prior to the announcements in relation to the respective open offers (the theoretical ex-entitlement price per share is calculated as (number of open offer shares x subscription price of the open offer + number of existing shares held x closing price per share on the last trading day prior to the announcement of the open offer)/(number of open offer shares + number of existing shares held + number of bonus shares (where applicable)), e.g. for the Open Offer with Bonus Issue, the theoretical ex-entitlement per Share is calculated as (1 x HK$0.05 + 2 x HK$0.054)/5 = HK$0.0316).

3. Maximum dilution effect of each open offer and is calculated as (1–number of existing shares held/(number of existing shares held + number of open offer shares + number of bonus shares (where applicable))), e.g. for a 1 for 2 open offer with bonus issue of 2 bonus shares for every offer share, the maximum dilution effect is calculated as 1–2/(2+1+2)) = 60%.

4. Represents the subscription price for offer share and bonus share.

We are mindful of the fact that pricing of an open offer may vary under different stock market conditions as well as among companies with different financial standings and business performance (including loss making companies and profit making companies). Nevertheless, we consider that a broader comparison of open offers announced recently would provide a more general reference for the reasonableness of the pricing of the Open Offer.

As shown above, the premiums/(discounts) of the Comparables of the subscription price over/(to) the closing price on the last trading day prior to the announcement (the "**Closing Price Range**") range from a premium of approximately 104% to a maximum discount of approximately 90% with a mean represented by a discount of approximately 29.64%. The discount of approximately of 69.07% of the Subscription Price for Offer Share and Bonus Share of HK$0.0167 to the closing price per Share on the Last Trading Day falls within the Closing Price Range, and is with a discount deeper than the mean of the Closing Price Range.

The premiums/(discounts) of the Comparables of the subscription price to the theoretical ex-entitlement price on the last trading day prior to the announcement (the "**Theoretical Price Range**") range from a premium of approximately 51.52% to a maximum discount of approximately 66.67% with a mean represented by a discount of approximately 19.43%. The discount of approximately 47.15% of the Subscription Price for Offer Share and Bonus Share to the theoretical ex-entitlement price per Offer Share based on the closing price per Share on the Last Trading Day also falls within the Theoretical Price Range, and is with a deeper discount than the mean of the Theoretical Price Range.

We noted that the Subscription Price for Offer Share and Bonus Share falls within the Closing Price Range and the Theoretical Price Range of the Comparables, and that the Subscription Price for Offer Share and Bonus Share represents deeper discounts than the mean of the Closing Price Range and the Theoretical Price Range. We have discussed with the Directors about the reasons for the deep discount represented by the Subscription Price for Offer Share and Bonus Share compared to the mean of the Closing Price Range and the

Theoretical Price Range. First, as mentioned in the Board Letter and in the section headed "Review on the trading volume of the Shares" above in this letter, the Shares have low market liquidity and in order to increase the attractiveness of the Open Offer with Bonus Issue to the Qualifying Shareholders, the Open Offer with Bonus Issue offers the Qualifying Shareholders a chance to subscribe for the Offer Shares with the Bonus Shares at a relatively low price and to maintain the respective pro-rata shareholdings of the Qualifying Shareholders in the Company. In view of the low turnover of the Shares, we believe that with such low turnover, it is difficult to attract Qualifying Shareholders to reinvest through the Open Offer with Bonus Issue at a subscription price without a substantial discount. Therefore, in order to attract the Qualifying Shareholders' interest and participation in the Open Offer with Bonus Issue so that the Group can secure more funding from the Open Offer with Bonus Issue 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, the Subscription Price for Offer Share and Bonus Share represents a more substantial discount than most of the Comparables. We consider that a substantial discount is inevitable in order to provide incentives to the Shareholders to subscribe for the Open Offer with Bonus Issue.

Although there are no immediate financial needs by the Group (as the net proceeds from the Open Offer with Bonus Issue will be used to finance future investments) and there are sufficient internal resources available to the Group as at the Latest Practicable Date for general working capital purpose, taking into account that (i) the existing internal financial resources of the Group are expected to be not enough to finance future investments of the Group such as in the healthcare sector in the PRC; (ii) the Group reported a recent trend of improved performance as illustrated in the section headed "Financial and business highlights of the Group" above; (iii) the Open Offer with Bonus Issue enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so and provides an equal opportunity among the Qualifying Shareholders to share future benefits that may be brought about from the expansion of the Group's business through future investments; (iv) although the shareholdings interest of those Qualifying Shareholders who do not take up their entitlements under the Open Offer with Bonus Issue will be diluted, they have been given a fair chance to participate in the Open Offer with Bonus Issue and (v) the Subscription Price for Offer Share and Bonus Share falls within the Closing Price Range and the Theoretical Price Range of the Comparables, we consider that the Subscription Price for Offer Share and Bonus Share is fair and reasonable so far as the Qualifying Shareholders are concerned.

Potential dilution effect on the shareholding interests of the Independent Shareholders

The attributable interest of the Qualifying Shareholders in terms of percentage shareholding in the Company who take up their entitlements in full under the Open Offer with Bonus Issue will remain unchanged upon completion of the Open Offer with Bonus Issue. Qualifying Shareholders who do not subscribe for their provisional entitlements under the Open Offer (and hence will also not be entitled to the Bonus Issue) will have their shareholding interests diluted by a maximum of 60%.

In order to assess the fairness and reasonableness of the dilution effect of the Open Offer with Bonus Issue on the shareholding interests of the Independent Shareholders, we have made comparisons with other open offers of the Comparables. From the Comparables as set out in subsection headed "Comparisons with other open offers" above, we note that the dilutions of the respective open offers of the Comparables ranged form 3.85% to 90% with a mean dilution of 51.02%. The dilution of the Open Offer with Bonus Issue falls within the range of the dilutions of the Comparables.

In view of the above and after taking into consideration the reasons and benefits of the Open Offer with Bonus Issue, together with the opportunity for Qualifying Shareholders to maintain their proportionate interests in the Company and the fact that the dilution of the Open Offer with Bonus Issue falls within the range of the dilutions of the Comparables, we consider that the potential dilution effect of the Open Offer with Bonus Issue is fair and reasonable.

Financial effects of the Open Offer with Bonus Issue

(i) Effect on net tangible assets

A statement of unaudited pro forma statement of adjusted consolidated net tangible assets of the Group based on the unaudited consolidated net tangible assets of the Group as at 30 September 2008 adjusted for the effect of the Open Offer with Bonus Issue on the net tangible assets of the Group is set out in Appendix II to the Circular (the "**Statement**").

The unaudited consolidated net tangible assets of the Group were approximately HK$64,880,000 as at 30 September 2008. Based on 1,798,044,795 Shares in issue as at the Latest Practicable Date, the net tangible asset value per share was approximately HK$0.03608. Based on the Statement, upon completion of the Open Offer with Bonus Issue and assuming all the Pre-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date, the unaudited pro forma adjusted consolidated net tangible assets of the Group would increase by approximately 65.51% to approximately HK$107,380,000 while the unaudited pro forma adjusted consolidated net tangible assets per Share of the Group would decrease by approximately 33.79% to approximately HK$0.02389 based on 4,495,111,986 Shares in issue immediately following the completion of the Open Offer with Bonus Issue (assuming that none of the outstanding Share Options will be exercised and none of the Conversion Notes will be converted).

In light of the enhancement on the unaudited pro forma adjusted consolidated net tangible assets and the lowering of the gearing level (details of which will be discussed in the sub-section headed "Effect on gearing ratio" that follows) of the Group as a result of the Open Offer with Bonus Issue, we are of the opinion that the Open Offer is in the interests of the Company and the Shareholders as a whole. The decrease in the unaudited pro forma adjusted consolidated net tangible assets per share is mainly due to the issue of the nil-paid Bonus Shares. However, considering that the Qualifying Shareholders are having an equal opportunity to take up the Offer Shares and Bonus Shares in accordance with their provisional entitlements under the Open Offer with Bonus Issue and the Open Offer with Bonus Issue will enlarge the capital base of the Company so as to facilitate any future development of the Group, we are of the view that the overall increase in the Group's unaudited pro forma adjusted consolidated net tangible assets to be favorable to the Company as a whole.

(ii) Effect on gearing ratio

The Group's gearing ratio (being total liabilities/total equity) was approximately 21.4% as at 30 September 2008. As a result of the increase in the net asset value of the Group immediately after the Open Offer with Bonus Issue, the Company's gearing ratio will be reduced immediately after the Open Offer with Bonus Issue. We consider the reduced gearing ratio provides the Company with more financial flexibility and hence is in the interests of the Company and the Shareholders.

(iii) Effect on liquidity

Total current assets and total current liability of the Group as at 30 September 2008 were reported as approximately HK$145.3 million and approximately HK$112.5 million respectively. Accordingly, the current ratio (being current assets/current liabilities) as at 30 September 2008 was about 1.3 times. The net proceeds from the Open Offer is expected to enhance its current asset value by approximately HK$42.5 million and thus improve the current ratio. Hence, the financial capability of the Company to look for expanded business opportunities will be enhanced accordingly.

The Open Offer with Bonus Issue will enhance the working capital position with no adverse impact on the gearing level of the Group. Therefore, we concur with the Directors' view that the Open Offer with Bonus Issue is in the interests of the Company and the Shareholders as a whole.

Underwriting arrangement

From the Comparables as set out in subsection headed "Comparisons with other open offers" above, we note that the commissions of the respective underwriters ranged form 0% to 3.5%. We consider that the commission charged by the Underwriters of 2.75% in the Open Offer is within the range of underwriting commissions of the Comparables and is reasonable to the Company.

Subject to the fulfillment of the conditions contained in the Underwriting Agreement, it should also be noted that the Open Offer would not proceed if the Underwriters exercise its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriters such termination rights are included in the Board Letter. We consider such provisions are in normal commercial terms and in line with the normal market practice.

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Open Offer with Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer with Bonus Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer with Bonus Issue.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Managing Director	*Executive Director*

1. FINANCIAL SUMMARY

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

Results

	Unaudited six months ended 30 September 2008 HK$'000	Audited For the year ended 31 March 2008 HK$'000	2007 HK$'000	2006 HK$'000
Results				
Turnover	103,725	135,943	77,521	41,088
Profit/(loss) before taxation	30,022	(1,589)	8,096	3,655
Taxation	(9,517)	(6,184)	(1,227)	(561)
Net profit/(loss) for the period/year	20,505	(7,773)	6,869	3,094
Profit/(loss) attributable to				
– Equity holders of the Company	10,727	(17,891)	5,981	3,191
– Minority interests	9,778	10,118	888	(97)
	20,505	(7,773)	6,869	3,094

Asset and liabilities

	Unaudited six months ended 30 September 2008 HK$'000	Audited As at 31 March 2008 HK$'000	2007 HK$'000	2006 HK$'000
Assets and liabilities				
Total assets	638,882	598,173	172,976	59,162
Total liabilities	112,684	(93,689)	(38,249)	(28,144)
Total equity	526,198	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

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

	Notes	2008 HK$'000	2007 HK$'000
LIABILITIES			
Current liabilities			
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
		62,134	35,921
Long-term liabilities			
Convertible notes	*23(b)*	31,374	2,328
Deferred taxation	*38*	181	–
		31,555	2,328
Total liabilities		93,689	38,249
Total equity and liabilities		598,173	172,976
Net current assets		168,165	74,886
Total assets less current liabilities		536,039	137,055

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

BALANCE SHEET
At 31 March 2008

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
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
Discontinued operations			
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	–	–

	Notes	2008 HK$'000	2007 HK$'000
(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	HK(1.06) cents	HK0.93 cents
– diluted	33	HK(1.06) cents	HK0.71 cents
From continuing operations			
– basic	33	HK(1.24) cents	HK1.22 cents
– diluted	33	HK(1.24) cents	HK0.91 cents

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 *HK$'000*	Share premium *HK$'000*	Warrant reserve *HK$'000* *(Note (c))*	Special reserve *HK$'000* *(Note (a))*	Translation reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible notes reserve *HK$'000*	Statutory enterprise expansion fund *HK$'000*	Statutory reserves *HK$'000* *(Note (b))*	Accumulated losses *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'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

	Attributable to the equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Warrant reserve *HK$'000* *(Note (c))*	Special reserve *HK$'000* *(Note (a))*	Translation reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible notes reserve *HK$'000*	Statutory enterprise expansion fund *HK$'000*	Statutory reserves *HK$'000* *(Note (b))*	Accumulated losses *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
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)	–	–
Total equity at 31 March 2008	89,902	425,169	–	(6,735)	1,461	4,658	24,693	–	753	(62,099)	26,682	504,484

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

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(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)

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
Net cash used in investing activities		(65,609)	(25,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)	–
Net cash generated from financing activities		193,834	43,414
Net increase in cash and cash equivalents		42,899	14,674
Cash and cash equivalents at the beginning of the year		24,758	8,992
Effect of foreign currency exchange rate changes		10,477	1,092
Cash and cash equivalents at the end of the year		78,134	24,758
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		78,134	24,758

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

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 January 2008*
3 *Effective for annual periods beginning on or after 1 July 2008*
4 *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 33⅓%
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 or 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 binominal 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*
Continuing operations				
Hong Kong	653	640	(3,741)	(244)
PRC	113,512	33,057	12,086	26,732
	114,165	33,697	8,345	26,488
Discontinued operations				
PRC	15,572	21,907	2,148	998
Korea	6,206	21,917	1,017	(2,816)
	21,778	43,824	3,165	(1,818)
	135,943	77,521	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			(7,773)	6,869

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
	598,173	95,798	93,689	28,796
Unallocated	–	77,178	–	9,453
	598,173	172,976	93,689	38,249

Other information

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

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

	Impairment of goodwill	
	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations		
PRC	30,318	–
Discontinued operations		
Korea	–	1,893
	30,318	1,893

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.

2008

	Continuing operations			Discontinued operations			
	Manufacture and sales of environmental protection products	Provision of general hospital services	Provision of hospital and hospital management services	Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement related products	Manufacture and sales of melamine and its related products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	Provision of healthcare and hospital management services	Installation, engineering and management of wastewater treatment systems and environmental facilities, provision of environmental analyses and measurement related products	Manufacture and sales of melamine and its related products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	Furniture and fixtures	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
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
Depreciation and impairment							
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
Net book values							
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

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

8. Interest in associates

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–

	2008	2007
	HK$'000	*HK$'000*
Amount due from an associate	2,999	–

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.

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
福建康華企業管理咨詢有限公司	PRC	40%	HK$5,500,000	Dormant

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

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

9. Available-for-sale investments

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
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

	The Group
	HK$'000
Cost	
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
Impairment	
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
Carrying value	
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 entired 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:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Provision of general hospital and healthcare services in PRC	309,576	–
Provision of hospital management services in PRC	–	47,372
	309,576	47,372

(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

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted shares, at costs	261,266	5,807
Less: Impairment in value	(1,527)	(1,527)
	259,739	4,280
Advance to a subsidiary	13,000	13,000
Less: Impairment loss recognised on advance to a subsidiary	(13,000)	(13,000)
	–	–
	259,739	4,280

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

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

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
	140,819	77,104	26,979	250

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
	6,840	23,885
Less: Allowance for doubtful debts	(215)	(991)
	6,625	22,894

Movements in the allowance for doubtful debts

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 April	991	3,566
Amounts written off as uncollectible	(776)	(2,642)
Impairment losses recognised on receivables	–	67
At 31 March	215	991

Ageing of impaired trade receivables

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Over 365 days	215	991

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

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

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.

17. Share capital

	Number of ordinary share	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
– at 1 April 2006	600,000,000	30,000
– increase in authorised share capital *(Note (a), (b))*	4,400,000,000	220,000
Ordinary shares of HK$0.05 each		
– at 31 March 2007, 1 April 2007 and 31 March 2008	5,000,000,000	250,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
– at 1 April 2006	344,930,333	17,247
– issue of new shares on subscription *(Note (d), (e))*	481,523,083	24,076
– rights issue *(Note (c))*	172,465,166	8,623
– exercise of share options *(Note 24)*	4,848,750	242
– conversion of convertible notes *(Note 23)*	78,329,868	3,917
– at 31 March 2007 and 1 April 2007	1,082,097,200	54,105
– issue of new shares on subscription *(Note (f), (g), (h), (i))*	714,927,595	35,746
– exercise of share options *(Note 23)*	7,500,000	375
– repurchase of shares *(Note (j))*	(6,480,000)	(324)
– at 31 March 2008	1,798,044,795	89,902

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$0.05 each	Price per share		Aggregate consideration paid
		Highest	**Lowest**	
	'000	*HK$*	*HK$*	*HK$'000*
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	Share-based payment reserve	Warrant reserve	Contributed surplus	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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

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

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

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
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
	21,919	3,747

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

20. Obligations under finance leases

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

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

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
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:

	The Group and the Company
	HK$'000
Face value of Convertible Notes 1 issued on 11 January 2006	18,000
Equity component	(499)
Liability component on initial recognition at 11 January 2006	17,501
Transaction costs	(827)
Amortised cost on initial recognition 11 January 2006	16,674
Interest expense	246
Interest payable	(158)
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)
Amortised cost at 31 March 2007 and at 1 April 2007	2,328
Interest expense	160
Interest payable	(100)
Amortised cost at 31 March 2008	2,388

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:

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

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 trenches 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:

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

(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 at 31 March 2007	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment during the year	Outstanding and exercisable at 31 March 2008	Date of grant	Exercise price per share	Exercise period
Directors									
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
	52,182,555	–	–	–	(10,772,910)	41,409,645			
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
	156,240,250	–	(7,500,000)	(66,156)	–	148,674,085			

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:

	Share options grant date			
Date of grant	**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:

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations		
Turnover:		
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
	114,165	33,697
Discontinued operations		
Turnover:		
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
	21,778	43,824
	135,943	77,521

	2008	2007
	HK$'000	*HK$'000*
Discontinued operations		
Other revenue:		
Interest income	2,555	415
Sundry income	796	83
	3,351	498
Continuing operations		
Other revenue:		
Interest income	87	88
	3,438	586

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).

	2008	2007
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue	21,865	43,912
Expenses	(23,334)	(45,730)
Loss before taxation	(1,469)	(1,818)
Taxation	(8)	–
	(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	–
Profit/(loss) for the year from discontinued operations	3,157	(1,818)
Cash flow from discontinued operations		
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)
Net cash flows	73,282	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
	9,923	8,090	2,449	5,599	12,372	13,689
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	14,580	–	–	–	14,580	–
and after crediting:						
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	–
	6,901	–	4,634	–	11,535	–

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	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors										
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
Non-Executive Directors										
Wong Yu Man, James (appointed on 20 March 2007)	–	–	115	4	–	–	5	–	120	4
Independent Non-Executive Directors										
Chan Ping Kuen, Francis (resigned on 1 November 2007)	35	60	–	–	–	–	–	–	35	60
Hsu William Shiu Foo,	60	60	–	–	–	–	–	–	60	60
Wong Ka Wai, Jeanne (appointed on 1 November 2007)	25	–	–	–	–	–	–	–	25	–
Yu Chai Mei	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:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	497	604
Retirement benefits scheme contributions	21	12
	518	616

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

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

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)	–
	6,176	1,227	8	–	6,184	1,227

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	
	(17,808)		15,202		1,017		(1,589)	
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	(320)	(1.8%)	6,504	42.8%	–	–	6,184	389.2%

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)	
	(26,676)		37,588		(2,816)		8,096	
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	–	–	1,227	3.3%	–	–	1,227	15.2%

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:

	2008	2007
	HK$'000	*HK$'000*
(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	(17,891)	6,495

	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
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,694,741,344	916,244,957

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	2007
	HK$'000	*HK$'000*
(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
	(21,048)	7,799
Interest expense on convertible notes (net of tax)	–	514
(Loss)/Profit for the purpose of diluted earnings per share	(21,048)	8,313

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 alloted, 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.

	Acquiree's carrying amount before combination and fair value
	HK$'000
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)
Net liabilities	(12,361)
Goodwill arising on acquisition *(Note 11)*	194,820
Total consideration at fair value	182,459
Total consideration at fair value satisfied by:	
Cash	11,250
Consideration shares	105,598
Consideration Notes 2	54,750
Promissory notes	10,861
	182,459
Net cash inflow arising on acquisition:	
Cash consideration paid	(11,250)
Cash and bank balances acquired	13,907
	2,657

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 *(Note 11)*	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)
Net liabilities	(1,078)
Goodwill arising on acquisition *(Note 11)*	50,658
Total consideration at fair value	49,580
Total consideration satisfied by:	
Cash	49,580
Net cash outflow arising on acquisition:	
Cash consideration paid	(49,580)
Cash and bank balances acquired	1,430
	(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 *(Note 11)*	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 Rightime Development Limited ("Rightime") and all debts, liabilities and obligations of Rightime owing or incurred by Rightime 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:

	2008
	HK$'000
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)
	84
Release of translation reserve	(308)
Gain on disposal	2,124
Total consideration	1,900
Satisfied by:	
Cash	1,900
Net cash inflow arising on disposal:	
Cash consideration	1,900
Cash and bank balances	(122)
Net inflow of cash and cash equivalents	1,778

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:

	2008
	HK$'000
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)
	86,971
Release of translation reserve	(6,183)
Release of statutory enterprise expansion fund	(149)
Release of statutory surplus reserve	(149)
Gain on disposal	2,510
Total consideration	83,000
Satisfied by:	
Cash	83,000
Net cash inflow arising on disposal:	
Cash consideration	83,000
Cash and bank balances	(82,604)
Net inflow of cash and cash equivalents	396

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:

	2008
	HK$'000
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)
	11,879
Attributable goodwill	17,054
Release of translation reserve	(3,855)
Loss on disposal	(14,580)
Total consideration	10,498
Satisfied by:	
Cash	10,498
Net cash inflow arising on disposal:	
Cash consideration	10,498
Cash and bank balances	(457)
Net inflow of cash and cash equivalents	10,041

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:

	Convertible notes *HK$'000*
At 1 April 2006 and 31 March 2007	–
Charge to equity for the year	501
Credit to consolidated income statement for the year	(320)
At 31 March 2008	181

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

	2008 *HK$'000*	**2007** *HK$'000*
Deferred tax assets	–	–
Deferred tax liabilities	(181)	–
	(181)	–

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:

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

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)

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Commitments for acquisition of a company	–	146,050
Commitments for acquisition of property, plant and equipment	1,938	–
	1,938	146,050

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

41. Contingent liabilities

(a)

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Guarantees given to a bank, in respect of banking facilities utilised by subsidiaries	10,000	10,000

(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:

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	2,004	646
Share-based payment	–	1,623
	2,004	2,269

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.

	Acquiree's carrying amount before combination and fair value
	HK$'000
	(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)
Net liabilities	(66)
Goodwill arising on acquisition *(Note (i))*	65,266
	65,200
Total consideration satisfied by:	
Cash	65,200
Net cash outflow arising on acquisition:	
Cash consideration paid	(65,200)
Cash and bank balances acquired	3,229
	(61,971)

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)
Net liabilities	(3,180)
Goodwill arising on acquisition *(Note (i))*	48,680
	45,500
Total consideration satisfied by:	
Cash	45,500
Net cash outflow arising on acquisition:	
Cash consideration paid	(45,500)
Cash and bank balances acquired	94
	(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*	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)*	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

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
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 Maidsen 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
Beiyi 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:

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

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

	2008	**2007**
	HK$'000	*HK$'000*
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

Financial liabilities

	2008	**2007**
Amortised cost	92,998	37,022

(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 measured 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:

	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	36,047	8,186	60,353	83,850
Korea Won	–	2,156	–	3,406

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.

	Impact of RMB		**Impact of Korea Won**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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**	**2 to 5 years**	**Over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial assets						
Cash and cash equivalents	3.07%	83,346	–	–	83,346	83,346
Others	–	63,940	–	–	63,940	63,940
		147,286	–	–	147,286	147,286
Non-derivative financial liabilities						
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
		61,736	33,000	–	94,736	92,998
		85,550	(33,000)	–	52,550	54,288

	At 31 March 2007					
	Weighted average effective interest rate	**Within 1 year**	**2 to 5 years**	**Over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial assets						
Cash and cash equivalents	1.4%	29,806	–	–	29,806	29,806
Others	–	65,337	–	–	65,337	65,337
		95,143	–	–	95,143	95,143
Non-derivative financial liabilities						
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
		34,694	2,500	–	37,194	37,022
		60,449	(2,500)	–	57,949	58,121

(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. CONSOLIDATED INTERIM RESULTS (UNAUDITED)

The board (the "Board") of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the three months and six months ended 30 September 2008

		Three months ended 30 September		**Six months ended 30 September**	
		2008	**2007**	**2008**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
TURNOVER	*3&4*	56,309	35,169	103,725	66,082
Cost of sales		(16,486)	(10,708)	(30,579)	(20,896)
Gross profit		39,823	24,461	73,146	45,186
Other income		605	1,049	1,746	1,757
Selling and distribution costs		(4,812)	(3,237)	(10,409)	(4,964)
Administrative expenses		(17,840)	(9,578)	(33,918)	(19,475)
PROFIT FROM OPERATIONS	*5*	17,776	12,695	30,565	22,504
Finance costs	*6*	(279)	(216)	(543)	(359)
PROFIT BEFORE TAXATION		17,497	12,479	30,022	22,145
Taxation	*7*	(5,264)	(2,173)	(9,517)	(2,998)
PROFIT FOR THE PERIOD		12,233	10,306	20,505	19,147
Attributable to:					
Equity holders of the Company		6,597	8,048	10,727	14,452
Minority interests		5,636	2,258	9,778	4,695
		12,233	10,306	20,505	19,147
DIVIDENDS	*13*	–	–	–	–
EARNINGS PER SHARE	*8*				
– Basic (cents)		0.37	0.56	0.60	0.92
– Diluted (cents)		0.33	0.44	0.54	0.74

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		42,167	31,418
Prepaid lease payments		26,880	26,880
Goodwill		424,537	309,576
		493,584	367,874
Current assets			
Inventories		4,022	2,621
Trade and other receivables and deposits	*9*	71,240	140,819
Derivative financial instruments		514	514
Amount due from an associate		–	2,999
Pledged bank deposits		5,239	5,212
Cash and bank balances		64,283	78,134
		145,298	230,299
Total assets		638,882	598,173
EQUITY:			
Capital and reserves attributable to the Company's equity holders			
Share capital		89,902	89,902
Reserves		399,515	387,900
		489,417	477,802
Minority interests		36,781	26,682
Total equity		526,198	504,484

	Notes	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	*10*	60,187	47,323
Amount due to minority shareholders		15,611	11,913
Convertible notes		33,762	2,388
Tax payable		2,943	510
		112,503	62,134
Long-term liabilities			
Convertible notes		–	31,374
Deferred taxation		181	181
		181	31,555
Total liabilities		112,684	93,689
Total equity and liabilities		638,882	598,173
Net current assets		32,795	168,165
Total assets less current liabilities		526,379	536,039

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible notes reserves	Statutory enterprise expansion fund	Statutory 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	–	–	–	–	–	–	–	–	–	14,452	14,452	4,695	19,147
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
Exercise of share options	375	–	–	–	–	–	–	–	–	–	375	–	375
Premium arising on exercise of share options	–	3,450	–	–	–	–	–	–	–	–	3,450	–	3,450
Special reserve arising on acquisition of a subsidiary	–	–	(40,000)	–	–	–	–	–	–	–	(40,000)	–	(40,000)
Transfer to reserve	–	–	–	–	–	3,594	(56)	(56)	–	–	3,482	–	3,482
At 30 September 2007	85,796	447,223	(78,645)	1,607	5,000	3,663	93	93	1,837	(30,894)	435,773	8,116	443,889
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	–	–	–	–	–	–	–	–	–	10,727	10,727	9,778	20,505
Increase in minority interests resulting from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	321	321
Transfer to reserve	–	–	–	888	–	–	–	–	–	–	888	–	888
At 30 September 2008	89,902	425,169	(6,735)	2,349	4,658	24,693	–	753	–	(51,372)	489,417	36,781	526,198

Notes:

(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 subsidiaries acquired pursuant to group reorganisations.

(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 the 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 the 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.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash inflow/(used in) from operating activities	9,892	(29,312)
Net cash used in investing activities	(23,200)	(70,234)
Net cash (used in)/inflow from financing activities	(543)	209,717
Net (decrease)/increase in cash and cash equivalents	(13,851)	110,171
Cash and cash equivalents at 1 April	78,134	24,758
Cash and cash equivalents at 30 September	64,283	134,929

NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 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 engaged in the provision of general hospital and healthcare services 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 September 2008 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2008.

The unaudited consolidated results for the six months ended 30 September 2008 have been reviewed by the audit committee of the Company.

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 services and hospital management services.

4. Segment Information

Business segments

An analysis of the Group's business segments information is as follows:

	Three months ended 30 September 2008	Three months ended 30 September 2007	Six months ended 30 September 2008	Six months ended 30 September 2007
	HK$'000 (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)
Turnover				
– Provision of general hospital services	51,786	19,274	94,463	29,325
– Provision of healthcare and hospital management services	4,523	9,549	9,262	22,943
– Sale of environmental protection products and provision of related services	–	2,065	–	4,270
– Sale of melamine and its related products	–	4,281	–	9,544
	56,309	35,169	103,725	66,082
Results				
– Provision of general hospital services	35,530	13,429	64,355	20,182
– Provision of healthcare and hospital management services	4,293	9,341	8,791	21,729
– Sale of environmental protection products and provision of related services	–	1,521	–	2,743
– Sale of melamine and its related products	–	170	–	532
	39,823	24,461	73,146	45,186
Unallocated other income	605	1,049	1,746	1,757
Unallocated corporate expenses	(22,652)	(12,815)	(44,327)	(24,439)
Profit from operations	17,776	12,695	30,565	22,504
Finance costs	(279)	(216)	(543)	(359)
Profit before taxation	17,497	12,479	30,022	22,145
Taxation	(5,264)	(2,173)	(9,517)	(2,998)
Profit for the period	12,233	10,306	20,505	19,147
Attributable to:				
Equity holders of the Company	6,597	8,048	10,727	14,452
Minority interests	5,636	2,258	9,778	4,695
	12,233	10,306	20,505	19,147

Geographical segments

During the six months ended 30 September 2008, the Group's business operations are located in the PRC. The following table provides an analysis of the Group's geographical segments information:

	Three months ended 30 September		Six months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
– PRC	56,309	33,104	103,725	61,406
– Korea	–	2,065	–	4,270
– Hong Kong	–	–	–	406
	56,309	35,169	103,725	66,082
Results				
– PRC	39,823	22,940	73,146	42,335
– Korea	–	1,521	–	2,743
– Hong Kong	–	–	–	108
	39,823	24,461	73,146	45,186

5. Profit from Operations

	Three months ended 30 September		Six months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:				
Cost of inventories recognised as expenses	–	36	–	56
Depreciation of property, plant and equipment	2,150	792	4,098	1,361
Operating lease rentals in respect of buildings	1,523	907	3,047	1,579
Staff costs (including Directors' remuneration)	5,841	2,797	10,615	5,281

6. Finance Costs

	Three months ended 30 September		Six months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses				
– Convertible notes	191	25	381	50
– Finance lease	–	8	–	16
Bank interest and charges	88	183	162	293
	279	216	543	359

7. Taxation

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

Corporate income tax of approximately 32% has been provided for the profit generated from the general hospital services and healthcare and hospital management services in the PRC (2007: approximately 5% (hospital management services)).

8. Earnings Per Share

The calculation of basic earnings per share for the three months ended 30 September 2008 was based on the net profit of approximately HK$6,597,000 (2007: approximately HK$8,048,000 and on the weighted average number of 1,798,044,795 shares (2007: 1,429,772,585 shares).

The calculation of basic earnings per share for the six months ended 30 September 2008 was based on the net profit of approximately HK$10,727,000 (2007: approximately HK$14,452,000) and on the weighted average number of 1,798,044,795 shares (2007: 1,573,626,708 shares).

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

The unlisted convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense of the unlisted 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.

	Three months ended 30 September 2008 *HK$'000* (Unaudited)	Six months ended 30 September 2008 *HK$'000* (Unaudited)
Profit attributable to equity holders of the Company	6,597	10,727
Interest expense on unlisted convertible notes (net of tax)	191	381
Profit used to determine diluted earnings per share	6,788	11,108
Weighted average number of ordinary shares in issue	1,798,044,795	1,798,044,795
Adjustments for assumed conversion of unlisted convertible notes	109,277,950	109,277,950
Adjustments for assumed exercise of share options	146,536,162	146,536,162
Weighted average number of ordinary shares of diluted earnings per share	2,053,858,907	2,053,858,907

	Three months ended 30 September 2008	Six months ended 30 September 2008
Diluted earnings per share	HK0.33 cents	HK0.54 cents

9. Trade and Other Receivables

Payment terms with customers are mainly on credit together with deposits and receivable by instalment basis. Invoices are normally payable from 30 to 90 days of issuance, except for certain well established customers and receivables by instalment basis where it is normally payable from 1 to 2 years of issuance. The following is an aged analysis of trade receivables as at the balance sheet date:

	30 September 2008 *HK$'000* (Unaudited)	**31 March 2008** *HK$'000* (Audited)
Trade receivables	7,591	6,625
Deposits paid under a conditional sale and purchase agreement	–	68,600
Deposits paid	18,743	19,604
Prepayments	11,051	10,406
Prepaid lease payments	872	872
Other receivables	32,983	34,712
	71,240	140,819

	30 September 2008 *HK$'000* (Unaudited)	**31 March 2008** *HK$'000* (Audited)
Trade receivables		
Age		
0 to 90 days	6,180	5,761
91 to 180 days	1,152	381
181 to 365 days	19	–
Over 365 days	240	698
	7,591	6,840
Less: Allowance for doubtful debts	–	(215)
	7,591	6,625

10. Trade and Other Payables

Payment terms with trade creditors are normally ranging from 90 to 120 days. The following is an aged analysis of trade payables as at the balance sheet date:

	30 September 2008 *HK$'000* (Unaudited)	31 March 2008 *HK$'000* (Audited)
Trade payables	32,401	21,919
Other payables	27,786	25,404
	60,187	47,323

	30 September 2008 *HK$'000* (Unaudited)	31 March 2008 *HK$'000* (Audited)
Trade payables		
Age		
0 to 90 days	9,036	4,192
91 to 180 days	4,997	17,421
181 to 365 days	3,736	–
Over 365 days	14,632	306
	32,401	21,919

11. Pledged Bank Deposits

The Group had pledged bank deposits for the six months ended 30 September 2008 of approximately HK$5,239,000 to secure the short-term bank loan of the Group. (31 March 2008: approximately HK$5,212,000). No secured short-term bank loan was drawn down during the six months ended 30 September 2008.

12. Share Capital

	Number of Ordinary Shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each at 30 September 2008	5,000,000,000	250,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each at 30 September 2008	1,798,044,795	89,902

13. Dividends

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

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$17,257,000, details of which are set out below:

	HK$'000
Convertible Notes (liability portion)	17,257

The principal amount of the Convertible Notes outstanding as at 31 December 2008 was HK$17,500,000.

Securities and guarantees

Certain time deposits of the Group of approximately HK$5,255,000 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 December 2008.

As at 31 December 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

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

The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

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 31 December 2008, the Shuguang Dispute is 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 31 December 2008, 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.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 December 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.

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 banking and other facilities and the estimated net proceeds from the Open Offer, the Group will have sufficient working capital for at least the next twelve months from the date of this circular.

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 30 September 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 30 September 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 unaudited consolidated net tangible assets of the Group as at 30 September 2008 and adjusted to reflect the effect of the Open Offer:

Unaudited consolidated net tangible assets of the Group as at 30 September 2008	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group**	**Unaudited consolidated net tangible assets of the Group per Share as at 30 September 2008 prior to the completion of the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share upon completion of the Open Offer (Based on minimum number of Offer Shares and Bonus Shares to be issued)**
HK$'000	*HK$'000*	*HK$'000*		
Note (a)	*Note (b)*	*Note (e)*		
64,880	42,500	107,380	HK$0.03608/ Share *(Note (c))*	HK$0.02389/ Share *(Note (d))*

Notes:

(a) The consolidated net tangible assets of the Group as at 30 September 2008 is calculated based on the capital and reserves attributable to the Company's equity holders as at 30 September 2008 of approximately HK$489,417,000 after deducting goodwill of approximately HK$424,537,000 as at 30 September 2008 as extracted from the interim report of the Company for the six months ended 30 September 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$2,450,000.

(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 30 September 2008 and as at the Latest Practicable Date.

(d) The number of Shares used for the calculation of this amount is 4,495,111,986 which will be the total number of Shares expected to be in issue after completion of the Open Offer with Bonus Issue representing the existing 1,798,044,795 Shares in issue as at the Latest Practicable Date, 899,022,397 Offer Shares and 1,798,044,794 Bonus 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 or the conversion rights attaching to the 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 or the conversion rights attaching to the 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 and 1,798,044,794 Bonus 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 circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, in respect of the unaudited pro forma statement on adjusted consolidated net tangible assets of the Group as set out in this appendix.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

20 January 2009

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 on the basis of one offer share for every two shares held on record date payable in full on application (with bonus shares in the proportion of two bonus shares for every offer share taken up under the open offer) (the "Proposed Open Offer") might have affected the financial information presented, for inclusion in Section 1 of Appendix II to the circular dated 20 January 2009 (the "Circular").

The basis of preparation of the Unaudited Pro Forma Consolidated Net Tangible Assets is set out on page 157 to the Circular.

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 30 September 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 circular, 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 circular 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 circular misleading; and

(c) all opinions expressed in this circular 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:

Authorised:		*HK$*
5,000,000,000	Shares	250,000,000.00

Issued and fully paid:

(1) Assuming all the Pre-IPO Share Options, the Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date:

1,798,044,795	Shares as at the Latest Practicable Date	89,902,239.75
899,022,397	Offer Shares to be issued	44,951,119.85
1,798,044,794	Bonus Shares to be issued	89,902,239.70
4,495,111,986	Share upon completion of the Open Offer and Bonus Issue	224,755,599.30

(2) Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date:

1,798,044,795	Shares as at the Latest Practicable Date	89,902,239.75
1,368,822	Shares from the exercise of Pre-IPO Share Options	68,441.10
2,646,600	Shares from the exercise of Post-IPO Share Options	132,330.00
42,613,637	Shares from the exercise of Convertible Notes	2,130,681.85
922,336,926	Offer Shares to be issued	46,116,846.30
1,844,673,852	Bonus Shares to be issued	92,233,692.60
4,611,684,632	Share upon completion of the Open Offer	230,584,231.60

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 and the Bonus 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 42,613,637 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 189,149,799 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 *(Note)*	375,706,000	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 *(Note 1)*	375,706,000	Long	Beneficial owner	20.90%
Ms Yung Muk Ying *(Note 1)*	390,935,585	Long	Interest of spouse	21.74%
Mr Lau Kam Shui ("Mr Lau") *(Note 2)*	212,933,637	Long	Beneficial owner	11.84%
Ms Lau Yuk Lan *(Note 2)*	212,933,637	Long	Interest of spouse	11.84%

Notes:

1. The issued share capital of Easeglory is 100% beneficially owned by Mr Yung. Ms Yung Muk Ying is deemed to be interested in 375,706,000 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.

2. Mr Lau is interested in 212,933,637 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 212,933,637 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.

The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

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 circular and are or may be material:

(a) 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;

(b) 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;

(c) 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;

(d) 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;

(e) 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;

(f) 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 Rightime Development Limited ("Rightime") and the assignment of all the debts, liabilities and obligations of Rightime owing or incurred by Rightime to the Company for a total consideration of HK$1,900,000;

(g) 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;

(h) 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;

(i) 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;

(j) 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;

(k) an underwriting agreement dated 5 September 2008 entered into between the Company, Quam Securities and Mr Yung in relation to the issue of not less than 899,022,397 shares and not more than 908,794,083 shares by way of open offer and the termination notice dated 17 October 2008 issued by Quam Securities to the Company; and

(l) 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 experts who have given their opinions and advice which are included in this circular:

Name	Qualifications
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Veda Capital	a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO

1. As at the Latest Practicable Date, HLB Hodgson Impey Cheng and Veda Capital 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 and Veda Capital had given and had not withdrawn their respective written consent to the issue of this circular, 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 and Veda Capital 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
Company Secretary	Lam Williamson, *CPA, CPA* (Australia)
Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F., Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

Underwriters	Quam Securities Company Limited Room 3208 Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong Partners Capital Securities Limited Unit 3905, 39/F, Cosco Tower 183 Queen's Road, Central Hong Kong
Financial adviser	INCU Corporate Finance Limited Unit 1602, Ruttonjee House Ruttonjee Centre, 11 Duddell Street Central, Hong Kong
Independent financial adviser to the Independent Board Committee in relation to the Open Offer	Veda Capital Limited Suite 1302, 13/F Takshing House 20 Des Voeux Road Central, Hong Kong
Legal advisers to the Company	*As to Hong Kong Law:* Michael Li & Co. 14/F, Printing House 6 Duddell Street, Central Hong Kong *As to Cayman Islands Law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place 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 Fulcrum Group (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 44, 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 36, 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 55, 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 58, 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 China Digital Licensing (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.

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 Dr Jiang Tao Mr Zheng Ms Shum Mr Cheng Jin Shan	Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point 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 Dr Xu Zhifu Mr Gu Lei Dr Wang Yong Mr Lin Xiang	Industrial Base of HuiHao Medicine Group & Conic Melamine Company Yusheng Industrial Trading District Min Hou, Fuzhou Fujian, PRC
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 Latest 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 Latest 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 adviser 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			145,167,340

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$2.45 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 circular 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 circular up to and including Monday, 16 February 2009:

(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 interim report 2008/2009 of the Company for the six months ended 30 September 2008;

(d) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;

(e) the letter from Veda Capital, the text of which is set out on pages 28 to 43 of this circular;

(f) 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 circular;

(g) 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 circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consents referred to in the paragraph headed "Expert and consent" in this appendix;

(j) 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;

(k) each of the service contracts referred to in paragraph headed "Directors Service Contract" in this appendix; and

(l) this circular.

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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of Hua Xia Healthcare Holdings Limited (the "Company") will be held at 11:00 a.m. on Monday, 16 February 2009 at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

SPECIAL RESOLUTION

1. "**THAT** the articles of association (the "Articles") of the Company be and are hereby amended in the following manner:

   By deleting Article 147 of the Articles in its entirety and substituting the following therefor:

   "The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or otherwise available for distribution and such amount be set free for distribution among the Members or any class of Members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution.""

ORDINARY RESOLUTIONS

2. "**THAT** subject to the passing of resolution no.1 above and conditional upon: (a) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Offer Shares (as defined below) to be allotted and issued to the shareholders of the Company (the "Shareholders") pursuant to the terms and conditions of the Open Offer with Bonus Issue; and (b) the fulfillment of the conditions set out in the underwriting agreement dated 24 December 2008 (the

* *For identification purposes only*

"Underwriting Agreement") among the Company and Quam Securities Limited and Partners Capital Securities Limited as underwriters and Mr Yung Kwok Leong becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the fourth business day after the last day for acceptance of, and payment for, Offer Shares with Bonus Issue (as defined below),

(i) the issue by way of open offer (the "Open Offer") of not less than 899,022,397 shares (the "Shares") of HK$0.05 each in the share capital of the Company and not more than 930,100,901 Shares (the "Offer Shares") to the Shareholders whose names appear on the register of members of the Company on 16 February 2009 (excluding those Shareholders (the "Prohibited Shareholders") with registered addresses outside Hong Kong whom the board of directors (the "Directors") of the Company consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those overseas Shareholders reside) on the basis of one Offer Share for every two Shares then held (with bonus shares (the "Bonus Shares") in the proportion of two bonus shares for every Offer Share taken up under the Open Offer (the "Bonus Issue")) and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 20 January 2009 despatched by the Company to the Shareholders (a copy of which had been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) be and is hereby approved;

(ii) the Directors be and are hereby authorised to allot and issue the Offer Shares and Bonus Shares pursuant to and in connection with the Open Offer with Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Prohibited Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;

(iii) the Underwriting Agreement and the transactions contemplated thereby (including but not limited to the arrangement for the taking up of the unsubscribed Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;

(iv) the absence of arrangements for application for the Offer Shares by the Shareholders in excess of their entitlements under the Open Offer as referred to in Rule 10.42 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange be and the same is hereby approved, confirmed and ratified; and

(v) any one or more of the Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer with Bonus Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer with Bonus Issue, the Underwriting Agreement and the transactions contemplated thereunder."

3. "**THAT**

(i) an increase in the authorised share capital of the Company from HK$250,000,000 divided into 5,000,000,000 Shares of HK$0.05 each to HK$500,000,000 divided into 10,000,000,000 Shares of HK$0.05 each (the "Proposed Increase in Authorised Share Capital"); and

(ii) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Proposed Increase in Authorised Share Capital."

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

Hong Kong, 20 January 2009

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

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 20 January 2009. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.