

# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

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



## HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**OPEN OFFER OF 899,022,397 OFFER SHARES AT HK\$0.05 PER OFFER SHARE  
ON THE BASIS OF ONE OFFER SHARE FOR  
EVERY TWO SHARES HELD ON RECORD DATE  
PAYABLE IN FULL ON APPLICATION  
(WITH BONUS SHARES IN THE PROPORTION OF TWO BONUS SHARES FOR  
EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER)**

Financial Adviser to the Company



INCUB 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

The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. (Hong Kong time) on Friday, 6 March 2009. The procedures for application of the Offer Shares are set out on page 23 of this prospectus.

Shares (as defined herein) has been dealt on an ex-entitlements basis from Tuesday, 10 February 2009. If the Underwriters (as defined herein) terminate the Underwriting Agreement (as defined herein), or the conditions of the Open Offer with Bonus Issue (as defined herein) are not fulfilled, the Open Offer with Bonus Issue will not proceed. Any Shareholders (as defined herein) or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer with Bonus Issue are fulfilled (which is expected to be 4:00 p.m. on Thursday, 12 March 2009 ("Latest Time for Termination")) will accordingly bear the risk that the Open Offer with Bonus Issue could not become unconditional and may not proceed.

It should be noted that if prior to 4:00 p.m. on the Latest Time 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 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 with Bonus Issue 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.

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a 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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## DEFINITIONS

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*In this Prospectus, 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
“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

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## DEFINITIONS

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“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
“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 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”	13 February 2009, being the latest practicable date prior to the printing of this Prospectus for inclusion of certain information in this Prospectus
“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

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## DEFINITIONS

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“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)”	899,022,397 new Shares to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“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 Prospectus 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

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## DEFINITIONS

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“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”	this prospectus containing details of the Open Offer with Bonus Issue
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	19 February 2009
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Options”	options to subscribe for Shares granted under the Share Option Schemes
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.05 per Offer Share

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## DEFINITIONS

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“Subscription Price for Offer Share and Bonus Shares”	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”	703,575,647 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
“HK\$”	Hong Kong dollars
“%”	per cent.



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## SUMMARY OF THE OPEN OFFER WITH BONUS ISSUE

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

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date
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:	899,022,397 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:	1,798,044,794 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:	approximately HK\$44.95 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.

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## EXPECTED TIMETABLE

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

2009

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 for 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 for 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 at 4:00 p.m. on 6 March 2009, the dates mentioned in the section headed "Expected timetable" in this Prospectus may be affected. An announcement will be made by the Company in such event.

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## LETTER FROM THE BOARD

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# HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

*Executive Directors:*

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

*Registered office:*

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

*Non-executive Director:*

Dr Wong Yu Man, James

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

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

*Independent non-executive Directors:*

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

19 February 2009

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

Dear Sir or Madam,

**OPEN OFFER OF 899,022,397 OFFER SHARES  
AT HK\$0.05 PER OFFER SHARE  
ON THE BASIS OF ONE OFFER SHARE FOR  
EVERY TWO SHARES HELD ON RECORD DATE  
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES IN  
THE PROPORTION OF TWO BONUS SHARES FOR  
EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER)**

### INTRODUCTION

On 30 December 2008, the Company announced, among other things, that the Board 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 Record Date with Bonus Issue.

As at the Record Date, the Company has 1,798,044,795 Shares in issue, on the basis of one Offer Share for every two Shares held on the Record Date, 899,022,397 Offer Shares and 1,798,044,794 Bonus Shares will be issued and 703,575,647 Offer Shares (being all Offer Shares

\* For identification purposes only

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## LETTER FROM THE BOARD

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less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Easeglory, Ms Shum and Mr Zheng) will be underwritten by the Underwriters.

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

### 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:	899,022,397 Offer Shares
Number of Bonus Shares:	1,798,044,794 Bonus Shares
Subscription Price:	HK\$0.05 per Offer Share payable in full on application

As at the Record 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, 1,798,044,794 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.

### 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;

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## LETTER FROM THE BOARD

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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 61.29% over and a discount of approximately 46.13% to the average of the closing prices of HK\$0.031 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 Shares 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 Shares 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 Shares are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Company has sent 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 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 branch 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.

### **Closure of register of members**

The register of members of the Company in Hong Kong was 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 has been registered during this period.

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## LETTER FROM THE BOARD

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### **Rights of Prohibited Shareholders**

The Prospectus Documents are not 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 has made 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 has sent the Prospectus to Prohibited Shareholders for their information only. No Application Forms has been sent to the Prohibited Shareholders.

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

### **Status of the Offer Shares 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.

Each Qualifying Shareholder will receive one share certificate for all the Offer Shares and one share certificate for all the Bonus Shares issued and allotted to the Qualifying Shareholders.

### **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.

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## LETTER FROM THE BOARD

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### **Fractions of Offer Shares**

Fractional entitlements of Offer Shares and Bonus 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. The Bonus Shares are not renounceable in nature.

### **Odd lots arrangements**

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

### **Application for listing**

The Company has applied to the 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: 899,022,397 Offer Shares

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## LETTER FROM THE BOARD

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Number of Bonus Shares:	1,798,044,794 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:	703,575,647 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 703,575,647 Underwritten Shares as all the Pre-IPO Share Options, Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not exercised on or before the Latest Lodging Date.



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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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- (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;

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## LETTER FROM THE BOARD

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- (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 extraordinary general meeting by way of poll 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.

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.

Up to the Latest Practicable Date, none of the above conditions precedent has been fulfilled. The above conditions (1), (2) and (8) have been fulfilled on the Prospectus Posting Date.

### 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.

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## LETTER FROM THE BOARD

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### **RISK FACTORS**

As requested by the Stock Exchange and in compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' and prospective investors' attention. The Directors believe that there are certain risks involved in the Group's operations. They can be categorised into: (i) business risk relating to the Group; (ii) financial risk relating to the Group; (iii) risks relating to the PRC; and (iv) risks relating to the Shares prices and Shareholders' shareholding. Additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or that the Directors currently deem immaterial, may also adversely affect the Group's business, operating results and financial condition in a material respect.

#### **Business risk relating the Group**

- (a) The Group's operations are sensitive to the continuation of the healthcare reform in the PRC. It is expected that in the coming few years, there will be a significant growth in healthcare expenditure in the PRC. Given that healthcare service provided in the PRC are dominated by state-funded hospitals, their existence influences the willingness of the PRC government to further open up the healthcare market to the private sector. Whether the new market will be available to the private healthcare services providers or not, will largely depend upon the implementation of new healthcare reform policy by the PRC State Government. The accessibility of the individual insurance schemes funded by the private healthcare service provider will be decided by this new reform policy. If the implementation of the healthcare reform policy does not start in 2009, this may hinder the expansion of the Group, although this will not affect the fundamental healthcare operation of the Group in the PRC.
- (b) The global financial tsunami occurred in the second half of 2008 has affected the consumption power of the general public in the PRC, thus, in turn, this may affect the profitability of the Group. Further the goodwill arising on the acquisition of such hospitals by the Group during the period from 2006 to 2008 is also subject to impairment testing annually, which in turn may affect the profit of the Group. The effect of these risk factors may be reduced if the new reform policy has been promptly in place and the revenue increase from other healthcare market segments has been materialized.

#### **Financial risk relating to the Group**

##### ***Financial risk factors***

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash flow interest-rate 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.

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## LETTER FROM THE BOARD

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(a) *Market risks*

Foreign exchange risk

All of the Group's turnover, expenses and major operational assets are denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility. Any future restrictions on currency exchange may limit the Group's ability to repatriate profits for the distribution of dividends to our Shareholders or to fund our other business activities outside the PRC. There can be no assurance that future exchange rate fluctuations in Renminbi may not result in foreign currency exchange losses for the Group and if so, that any such losses will not have a material adverse effect on the Group's financial results.

In addition, Renminbi has steadily appreciated in value in foreign exchange market in 2008 while the Group's financing activities mainly focus on Hong Kong capital market and will be made in Hong Kong dollars. Therefore, it is not guaranteed that any future exchange rate fluctuations in Renminbi could be favorable to the Group and might adversely affect the future acquisition strategy of the Group in the PRC and thus the business growth of the Group.

(b) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables from the provision of general hospital services and provision of healthcare and hospital management services in the PRC. The Group has no significant concentrations of credit risk. The income received from the provision of general hospital services is dominated in cash and cash equivalents. It has policies in place to ensure that provision of healthcare and hospital management services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(c) *Liquidity risk*

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(d) *Cash flow and fair value interest rate risk*

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary. The Group has no long term outstanding borrowings as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **Risks relating to the PRC**

#### *(a) Geographic*

The Group's major operations spread over several provinces such as Fujian, Chongqing, Guangdong, Anhui and Zhejiang. Each of the operations and its business growth is subject to respective economic growth in each province and regional policy and regulations and thus growth in national economy has been uneven across different geographic regions. Therefore, the turnover and profit contributions from each operation of the Group might be affected by different geographical factors and it is not guaranteed that the current contributions from each operation in different provinces will continue in the future.

#### *(b) Economic*

The global financial tsunami occurred in the second half of 2008. Together with the expected slowdown of economic growth in China, the national demand on the healthcare services might be reduced and the pressure on the pricing strategy of the Group might be increased and thus in turn might adversely affect the profitability of the Group.

Since the fourth quarter of 2008, the PRC government has introduced a series of massive fiscal stimulus packages to maintain the national economic growth. However, it is not guaranteed that such measures could yield any immediate effect. The speed and magnitude of economic recovery in the PRC also differ across different provinces and is limited by the speed and magnitude of global economic recovery as well. The Group's profitability and future growth may be adversely affected by these global economic downturn and continued economic recession.

#### *(c) Policy and regulation*

The PRC medical and healthcare industry is highly regulated. Changes in the industry policies and regulations such as the enforcement of more stringent control measures on business practice and restrictions, price control on medical services and pharmaceutical products are all beyond the control of the Group and may render the current business strategies of the Group less effective than it should be. The Group might need to increase its investment in the hospitals in order to meet the revised standards or new policy requirements. It is not guaranteed that our Group could cope with those changes and may affect our business operations in the PRC.

### **Risks relating to the Shares prices and Shareholders' shareholdings**

#### *(a) The Share price may be volatile*

The price and trading volume of the Share will be determined in the market place and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

## LETTER FROM THE BOARD

(b) *Shareholders' shareholding may be diluted as a result of future equity fundraising*

The Group may need to raise additional funds in the future to finance its expansion or for other reasons. If additional funds are raised through the issuance by the Company of new equity or equity-linked securities other than on a pro-rata basis to existing shareholders, the percentage ownership of individual shareholders will decline. Any such new securities may have preferential rights or options that favour their holders over holders of the Shares, to the extent permitted by law, exchange rules and the Company's constitutive documents.

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

	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	<u>1,407,151,295</u>	<u>78.26%</u>	<u>3,517,878,236</u>	<u>78.26%</u>	<u>1,407,151,295</u>	<u>31.31%</u>
Total	<u><u>1,798,044,795</u></u>	<u><u>100%</u></u>	<u><u>4,495,111,986</u></u>	<u><u>100%</u></u>	<u><u>4,495,111,986</u></u>	<u><u>100%</u></u>

*Notes:*

- Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
- Assuming none of the Shareholders (save for the Mr Yung and Easeglory, Ms Shum 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.

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## LETTER FROM THE BOARD

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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).

### 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 will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the Latest Practicable Date, the Company has not identified specific investment opportunities.



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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Results of the Group for the year ended 31 March 2008 have shown improvement in turnover compared with the previous year. Turnover of the continuing operations of the Group for the year was approximately HK\$114.165 million in comparison with HK\$33.697 million (restated) in 2007.

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

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

Selling and distribution expenses for the year ended 31 March 2008 was approximately HK\$5.692 million as compared to approximately HK\$0.408 million (restated) 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.

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## LETTER FROM THE BOARD

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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.

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

If you are a Qualifying Shareholder, you will find the Application Form enclosed with this Prospectus which entitles you to apply for the number of Offer Shares in your assured entitlement shown thereon. If you wish to apply for such Offer Shares or any lesser number of such Offer Shares, you must complete, sign and lodge the same in accordance with the instructions printed thereon, together with the remittance for full amount payable on application with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, by not later than 4:00 p.m. (Hong Kong time) on Friday, 6 March 2009. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Hua Xia Healthcare Holdings Limited – Open Offer Account" for Offer Shares and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than the latest time for acceptance of and payment for the Open Offer on Friday, 6 March 2009 by the Qualifying Shareholder, his/her/its entitlement to apply under the Open Offer will be deemed to have been declined and will be cancelled.

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

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Open Offer is subject are not fulfilled in accordance with the section headed "Conditions of the Open Offer", the application monies will be refunded, without interest, by sending cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicants to their respective addresses as registered in the register of members of the Company on or before Friday, 13 March 2009.

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## LETTER FROM THE BOARD

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

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

### ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES

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

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

<b>(i) Prior to the effect of the Open Offer with Bonus Issue the exercise price per Share and the number of Shares subject to the outstanding Shares Options under the Share Option Schemes</b>	<b>New exercise price per Share and the number of Shares subject to the outstanding Share Options after the Open Offer with Bonus Issue under the Share Option Schemes</b>
Pre-IPO Share Option Scheme:	Pre-IPO Share Option Scheme:
(a) 1,368,822 Shares exercisable at HK\$0.409 each	(a) 2,281,370 Shares exercisable at HK\$0.245 each
Post-IPO Share Option Scheme:	Post-IPO Share Option Scheme:
(a) 36,390,750 Shares exercisable at HK\$0.627 each	(a) 60,651,250 Shares exercisable at HK\$0.376 each
(b) 16,276,590 Shares exercisable at HK\$0.620 each	(b) 27,127,650 Shares exercisable at HK\$0.372 each
(c) 92,500,000 Shares exercisable at HK\$0.51 each	(c) 154,166,667 Shares exercisable at HK\$0.306 each

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## LETTER FROM THE BOARD

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| <b>(ii) Prior to the effect of the Open Offer with Bonus Issue and the conversion price per Share and the number of Conversion Shares subject to the outstanding Convertibles Notes:</b> | <b>New conversion price per Share and the number of Conversion Shares after the Open Offer with Bonus Issue subject to the outstanding Convertible Notes:</b> |
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Convertible Notes:

42,613,637 Shares at HK\$0.352

Convertible Notes:

71,090,047 Shares at HK\$0.211 each

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

### **ADDITIONAL INFORMATION**

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

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

## 1. FINANCIAL SUMMARY

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

*Results*

	<b>Unaudited nine months ended 31 December 2008 HK\$'000</b>	<b>Audited For the year ended 31 March</b>		
		<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
<b>Results</b>				
Turnover	149,404	135,943	77,521	41,088
Profit/(loss) before taxation	38,769	(1,589)	8,096	3,655
Taxation	(12,538)	(6,184)	(1,227)	(561)
Net profit/(loss) for the period/year	26,231	(7,773)	6,869	3,094
Profit/(loss) attributable to				
– Equity holders of the Company	13,758	(17,891)	5,981	3,191
– Minority interests	12,473	10,118	888	(97)
	26,231	(7,773)	6,869	3,094

*Asset and liabilities*

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

## 2. AUDITED FINANCIAL STATEMENTS

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

**CONSOLIDATED BALANCE SHEET**

*At 31 March 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	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
		<u>367,874</u>	<u>62,169</u>
<b>Current assets</b>			
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
		<u>230,299</u>	<u>110,807</u>
<b>Total assets</b>		<u><b>598,173</b></u>	<u><b>172,976</b></u>
<b>EQUITY:</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	17	89,902	54,105
Reserves		387,900	77,201
		477,802	131,306
<b>Minority interests</b>		<u>26,682</u>	<u>3,421</u>
<b>Total equity</b>		<u><b>504,484</b></u>	<u><b>134,727</b></u>

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

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

**BALANCE SHEET***At 31 March 2008*

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

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



**CONSOLIDATED INCOME STATEMENT***For the year ended 31 March 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover	25	114,165	33,697
Cost of sales		<u>(39,574)</u>	<u>(3,373)</u>
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	<u>(3,405)</u>	<u>(909)</u>
(Loss)/Profit before taxation		(4,754)	9,914
Taxation	31	<u>(6,176)</u>	<u>(1,227)</u>
(Loss)/Profit for the year from continuing operations		(10,930)	8,687
<b>Discontinued operations</b>			
Profit/(Loss) for the year from discontinued operations	26	<u>3,157</u>	<u>(1,818)</u>
(Loss)/Profit for the year		<u><u>(7,773)</u></u>	<u><u>6,869</u></u>
Attributable to:			
Equity holders of the Company		(17,891)	5,981
Minority interests		<u>10,118</u>	<u>888</u>
		<u><u>(7,773)</u></u>	<u><u>6,869</u></u>
Dividends	34	<u><u>–</u></u>	<u><u>–</u></u>

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2008

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

## 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			Minority interests HK\$'000	Total equity HK\$'000
								expansion fund HK\$'000	Statutory reserves HK\$'000	Accumulated losses 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)	-	-
<b>Total equity at 31 March 2008</b>	<b>89,902</b>	<b>425,169</b>	<b>-</b>	<b>(6,735)</b>	<b>1,461</b>	<b>4,658</b>	<b>24,693</b>	<b>-</b>	<b>753</b>	<b>(62,099)</b>	<b>26,682</b>	<b>504,484</b>

## Notes:

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

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

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

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

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

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 March 2008*

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

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

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

**NOTES TO FINANCIAL STATEMENTS***31 March 2008***1. Corporate information**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

### 3. Summary of significant accounting policies

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

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

***Basis of preparation***

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

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 March 2008. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

***Business combinations***

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

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

### ***Goodwill***

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

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

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

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

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

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

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

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

### ***Subsidiaries***

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

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

### ***Revenue recognition***

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

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

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

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

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

### *Leasing*

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

#### *The Group as lessor*

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

#### *The Group as lessee*

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

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

***Property, plant and equipment***

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

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

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

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

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

***Intangible assets******Operation rights and intellectual property***

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

***Inventories***

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

***Trade and other receivables***

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

***Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and deferred tax assets are recognised to the extent that it is probable that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

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



*Financial instruments*

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

*Financial assets*

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

## Loans and receivables

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

### Available-for-sale financial assets

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

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

### *Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

### Other financial liabilities

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

### Convertible bond

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately in respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, respecting the embedded call option for the holder to convert the bond into equity, is included in equity (convertible bond – equity reserve).

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

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

### Equity instruments

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

### *Financial guarantee contract*

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

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

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

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

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

*ii. Transactions and balances*

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

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

*iii. Group companies*

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

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

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

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

*Current assets and liabilities*

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

*Contingent liabilities and contingent assets*

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

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

### *Cash and cash equivalents*

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

### *Provisions*

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

### *Employee benefits*

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

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

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

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

### ***Borrowing costs***

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

### ***Segments reporting***

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

*(f) Measurement of convertible notes*

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

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

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

## **5. Segment information**

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

*Geographical segments*

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

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

*Consolidated balance sheet*

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

*Other information*

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

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

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

### ***Business segments***

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

## 2008

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

## 2007

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

## 6. Property, plant and equipment

*The Group*

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

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

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

**7. Prepaid lease payments**

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

**8. Interest in associates**

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

The amount due from an associate is unsecured, interest free & has no fixed terms of repayment. The directors considered that the carrying amount of amount due from an 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
福建康華企業管理諮詢有限公司	PRC	40%	HK\$5,500,000	Dormant

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

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

## 9. Available-for-sale investments

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

## 10. Cash and bank balances

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

## 11. Goodwill

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

*Notes:*

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

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

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

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

## 12. Impairment testing on goodwill

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

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

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

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

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

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

**13. Interests in subsidiaries**

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

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

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

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

#### 14. Inventories

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

## 15. Trade and other receivables and deposits

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

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

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

*Movements in the allowance for doubtful debts*

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

*Ageing of impaired trade receivables*

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

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

*Notes:*

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



## 17. Share capital

	Number of ordinary share	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.05 each		
– at 1 April 2006	600,000,000	30,000
– increase in authorised share capital (Note (a), (b))	<u>4,400,000,000</u>	<u>220,000</u>
Ordinary shares of HK\$0.05 each		
– at 31 March 2007, 1 April 2007 and 31 March 2008	<u>5,000,000,000</u>	<u>250,000</u>
<i>Issued and fully paid:</i>		
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)	<u>78,329,868</u>	<u>3,917</u>
– 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))	<u>(6,480,000)</u>	<u>(324)</u>
– at 31 March 2008	<u>1,798,044,795</u>	<u>89,902</u>

*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 used to finance future investments including the joint ventures with Town Health International Holdings Company Limited and approximately HK\$3,000,000 towards general working capital of the Group.
- (f) On 13 March 2007, the Company entered into a placing agreement with the placing agent in relation to the placing of 200,000,000 shares at an issue price of HK\$0.352 per share. The placing was completed on 24 April 2007. The net proceeds from the placing of approximately HK\$68,359,000 will be used for partial payment of the consideration of the acquisition of Hero Vision Enterprises Limited (“Hero Vision”), future business development of the Group and general working capital of the Group. For further details, please refer to the Company’s announcements dated 20 March 2007 and 24 April 2007 respectively.
- (g) On 9 May 2007, a wholly owned subsidiary of the Group, Wisdom Rise Group Limited (“Wisdom Rise”), acquired the entire issued share capital of Hero Vision for a consideration of approximately HK\$157,300,000 and part of the consideration of HK\$59,952,640 was settled by issue of 170,320,000 ordinary shares of HK\$0.05 each in the share capital of the Company, which were allotted, issued and credited as fully paid at the price of HK\$0.352 each.

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

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

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

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

## 18. Reserves

*The Company*

	Share-based			Convertible			Total
	Share premium	payment reserve	Warrant reserve	Contributed surplus	notes reserve	Accumulated losses	HK\$'000
	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

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

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

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

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

## 20. Obligations under finance leases

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

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

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

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

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

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

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

**23. Convertible notes**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

## 24. Share option scheme

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

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

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

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

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

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

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

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

*Notes:*

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

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

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

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

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

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

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

**25. Turnover and revenue**

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

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

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

## 26. Discontinued operations

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

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

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

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



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

## 27. (Loss)/profit from operations

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

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

## 28. Directors' remuneration

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

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

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

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

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

**30. Finance costs**

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

### 31. Taxation

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

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

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

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

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

*For the year ended 31 March 2007*

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

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

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

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

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

	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)	<u>-</u>	<u>514</u>
(Loss)/profit for the purpose of diluted earnings per share	<u>(17,891)</u>	<u>6,495</u>

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

*From continuing operations*

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

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

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

*From discontinued operations*

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

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

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

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

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



**34. Dividends**

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

**35. Pledged assets**

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

**36. Acquisition of subsidiaries**

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

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

*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.

	<b>Acquiree's carrying amount before combination and fair value HK\$'000</b>
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)
	<u>                    </u>
Net liabilities	(5,982)
Goodwill arising on acquisition ( <i>Note 11</i> )	64,098
	<u>                    </u>
Total consideration at fair value	<u><u>58,116</u></u>
Total consideration at fair value satisfied by:	
Cash	36,851
Consideration shares	21,265
	<u>                    </u>
	<u><u>58,116</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(36,851)
Cash and bank balances acquired	2,650
	<u>                    </u>
	<u><u>(34,201)</u></u>

*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.

	<b>Acquiree's carrying amount before combination and fair value</b> <i>HK\$'000</i>
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)
	<hr/>
Net liabilities	(1,078)
Goodwill arising on acquisition ( <i>Note 11</i> )	50,658
	<hr/>
Total consideration at fair value	49,580
	<hr/> <hr/>
Total consideration satisfied by:	
Cash	49,580
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(49,580)
Cash and bank balances acquired	1,430
	<hr/>
	(48,150)
	<hr/> <hr/>

*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.

	<b>Acquiree's carrying amount before combination and fair value</b> <i>HK\$'000</i>
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)
	<u>10,405</u>
Net assets	<u><u>10,405</u></u>
Acquisition of 76% of net assets	7,908
Goodwill arising on acquisition ( <i>Note 11</i> )	47,372
	<u>55,280</u>
Total consideration at fair value	<u><u>55,280</u></u>
Total consideration at fair value satisfied by:	
Cash	20,000
Consideration shares	35,280
	<u>55,280</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(20,000)
Cash and bank balances acquired	83
	<u>(19,917)</u>



*Notes:*

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

**37. Disposal of subsidiaries**

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

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

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

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

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

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

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

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

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

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

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

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

### 38. Deferred taxation

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

Deferred tax liabilities:

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

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

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

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

**39. Operating lease commitments**

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

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

**40. Commitments**

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

- (b)

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

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

## 41. Contingent liabilities

(a)

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

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

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

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

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

#### 42. Retirement benefits scheme

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

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

#### 43. Significant related party transactions

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

##### *Key management personnel*

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

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



**44. Subsequent events**

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

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

*Notes:*

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

	<b>Acquiree's carrying amount before combination and fair value</b> <i>HK\$'000</i> (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	<u>(6,612)</u>
Net liabilities	(3,180)
Goodwill arising on acquisition ( <i>Note (i)</i> )	<u>48,680</u>
	<u><u>45,500</u></u>
Total consideration satisfied by:	
Cash	<u><u>45,500</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(45,500)
Cash and bank balances acquired	<u>94</u>
	<u><u>(45,406)</u></u>

*Notes:*

- (i) The fair values to be assigned to the acquiree's identifiable assets, liabilities, contingent liabilities and the cost of the combination can be determined only provisionally, any adjustments to those provisional values will be required upon completion of the acquisition. The directors also considered that the amount of turnover and profit after tax contributed by the subsidiaries to be acquired can only be determined upon completion of the acquisition. For further details, please refer to the Company's 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 Madsen Enterprise Company Limited	PRC	RMB40,000,000	100%	Provision of healthcare and hospital management services
Edward Hospital Company Limited	PRC	RMB40,000,000	55%	Provision of general hospital services
Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited	PRC	RMB15,000,000	55%	Provision of general hospital services
Foshan Qide Hospital Limited	PRC	RMB3,000,000	70%	Provision of general hospital services
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:

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

*Notes:*

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

#### 48. Financial instruments

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

###### *Financial assets*

	2008 HK\$'000	2007 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
	<u>          </u>	<u>          </u>

###### *Financial liabilities*

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

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

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

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

Sensitivity analysis

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

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

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

*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.

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

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

(c) *Fair value of financial instruments*

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

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

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

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

#### **49. Comparative**

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

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

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

## 3. CONSOLIDATED THIRD QUARTERLY RESULTS (UNAUDITED)

Set out below is the unaudited financial information of the Group for the nine months ended 31 December 2008, together with comparative amounts, as extracted from the third quarterly report 2008/2009 of the Company.

**Unaudited Condensed Consolidated Income Statement**

*For the three months and nine months ended 31 December 2008*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
<b>Continuing operations</b>					
Turnover	3	45,679	37,993	149,404	99,805
Cost of sales		(12,854)	(12,188)	(43,433)	(31,557)
Gross profit		32,825	25,805	105,971	68,248
Other income		271	2,450	2,017	4,202
Selling and distribution costs		(6,456)	(1,333)	(16,865)	(6,139)
Administrative expenses		(17,702)	(9,854)	(51,620)	(26,711)
Profit from operations		8,938	17,068	39,503	39,600
Finance costs		(191)	(493)	(734)	(852)
Profit before taxation		8,747	16,575	38,769	38,748
Taxation	4	(3,021)	(2,885)	(12,538)	(5,874)
Profit for the period from continuing operations		<u>5,726</u>	<u>13,690</u>	<u>26,231</u>	<u>32,874</u>
<b>Discontinued operation</b>					
(Loss) for the period from discontinued operation		–	(1,070)	–	(1,107)
		<u>5,726</u>	<u>12,620</u>	<u>26,231</u>	<u>31,767</u>
Attributable to:					
Equity holders of the Company		3,031	10,494	13,758	24,946
Minority interests		2,695	2,126	12,473	6,821
		<u>5,726</u>	<u>12,620</u>	<u>26,231</u>	<u>31,767</u>
Dividends	5	–	–	–	–
Earnings per share from continuing and discontinued operations					
– Basic (cents)	6	<u>0.17 cents</u>	<u>0.58 cents</u>	<u>0.77 cents</u>	<u>1.51 cents</u>
– Diluted (cents)		<u>0.16 cents</u>	<u>0.53 cents</u>	<u>0.71 cents</u>	<u>1.33 cents</u>
Earnings per share from continuing operations					
– Basic (cents)	6	<u>0.17 cents</u>	<u>0.67 cents</u>	<u>0.77 cents</u>	<u>1.61 cents</u>
– Diluted (cents)		<u>0.16 cents</u>	<u>0.59 cents</u>	<u>0.71 cents</u>	<u>1.39 cents</u>

## Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2008

	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible notes reserve	Statutory enterprise expansion fund	Statutory surplus reserve	Warrant 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))	(Note (d))					
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	-	-	-	-	-	-	-	-	-	24,946	24,946	6,821	31,767
Issue of shares	35,746	-	-	-	-	-	-	-	-	-	35,746	-	35,746
Premium arising on issue of shares	-	329,337	-	-	-	-	-	-	-	-	329,337	-	329,337
Issuing expenses	-	(7,649)	-	-	-	-	-	-	-	-	(7,649)	-	(7,649)
Exercise of share options	375	-	-	-	-	-	-	-	-	-	375	-	375
Premium arising on exercise of share options	-	3,450	-	-	-	-	-	-	-	-	3,450	-	3,450
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	308	-	-	-	-	-	-	308	-	308
Warrant reserve transferred to retained profits upon expiry of warrants	-	-	-	-	-	-	-	-	(1,837)	1,837	-	-	-
Increase in minority interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	18,462	18,462
Transfer to reserve	-	-	-	-	-	3,594	(56)	(56)	-	(1,359)	2,123	-	2,123
<b>At 31 December 2007</b>	<b>90,226</b>	<b>477,519</b>	<b>(38,645)</b>	<b>1,915</b>	<b>5,000</b>	<b>3,663</b>	<b>93</b>	<b>93</b>	<b>-</b>	<b>(19,922)</b>	<b>519,942</b>	<b>28,704</b>	<b>548,646</b>
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	-	-	-	-	-	-	-	-	-	13,758	13,758	12,473	26,231
Increase in minority interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	345	345
Transfer to reserve	-	-	-	935	-	-	-	-	-	-	935	-	935
<b>At 31 December 2008</b>	<b>89,902</b>	<b>425,169</b>	<b>(6,735)</b>	<b>2,396</b>	<b>4,658</b>	<b>24,693</b>	<b>-</b>	<b>753</b>	<b>-</b>	<b>(48,341)</b>	<b>492,495</b>	<b>39,500</b>	<b>531,995</b>

### Notes:

- (a) As at 31 December 2008, the number of ordinary shares of HK\$0.05 each issued and fully paid were 1,798,044,795 shares (2007: 1,804,524,795 shares).
- (b) 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.
- (c) 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.
- (d) 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.

**Notes to the Unaudited Condensed Consolidated Income Statement**

*For the nine months ended 31 December 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 services and healthcare and hospital management services in the PRC.

**2. Basis of preparation**

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

The accounting policies adopted in preparing the unaudited consolidated results for the period ended 31 December 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 nine months ended 31 December 2008 have been reviewed by the audit committee of the Company.

**3. Turnover**

For the nine months ended 31 December 2008, turnover consisted the aggregate of net amounts received and receivable from third parties in connection with the provision of general hospital services and healthcare and hospital management services.

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations:</b>				
Turnover				
– Provision of general hospital services	39,707	20,558	134,169	43,883
– Provision of healthcare and hospital management services	5,972	13,148	15,235	42,090
– Sale of melamine and its related products	–	4,287	–	13,832
	<u>45,679</u>	<u>37,993</u>	<u>149,404</u>	<u>99,805</u>



	Three months ended		Nine months ended	
	31 December		31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Discontinued operation:</b>				
Turnover				
– Sale of environmental protection products and provision of related services	–	1,935	–	6,205
	–	1,935	–	6,205

#### 4. 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 25% has been provided for the profit generated from the general hospital services and healthcare and hospital management services in the PRC (2007: approximately 25%).

#### 5. Dividends

The Directors do not recommend the payment of a quarterly dividend for the nine months ended 31 December 2008 (2007: Nil).

#### 6. Earnings per share

The calculation of basic earnings per share for the three months ended 31 December 2008 was based on the net profit of approximately HK\$3,031,000 (2007: approximately HK\$10,494,000) and on the weighted average number of 1,798,044,795 shares (2007: 1,796,819,787 shares).

The calculation of basic earnings per share for the nine months ended 31 December 2008 was based on the net profit of approximately HK\$13,758,000 (2007: approximately HK\$24,946,000) and on the weighted average number of 1,798,044,795 shares (2007: 1,648,294,938 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 nine months ended 31 December 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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Three months ended 31 December 2008 <i>HK\$'000</i> (unaudited)</b>	<b>Nine months ended 31 December 2008 <i>HK\$'000</i> (unaudited)</b>
Profit attributable to equity holders of the Company	3,031	13,758
Interest expense on unlisted convertible notes (net of tax)	<u>138</u>	<u>519</u>
Profit used to determine diluted earnings per share	<u><u>3,169</u></u>	<u><u>14,277</u></u>
	<b>Three months ended 31 December 2008</b>	<b>Nine months ended 31 December 2008</b>
Weighted average number of ordinary shares in issue	1,798,044,795	1,798,044,795
Adjustments for assumed conversion of unlisted convertible notes	58,141,587	58,141,587
Adjustments for assumed exercise of share options	<u>146,536,162</u>	<u>146,536,162</u>
Weighted average number of ordinary shares of diluted earnings per share	<u><u>2,002,722,544</u></u>	<u><u>2,002,722,544</u></u>
	<b>Three months ended 31 December 2008</b>	<b>Nine months ended 31 December 2008</b>
Diluted earnings per share	<u><u>HK0.16 cents</u></u>	<u><u>HK0.71 cents</u></u>

#### 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 Prospectus, the Group had outstanding borrowings of approximately HK\$17,257,000, details of which are set out below:

	<i>HK\$'000</i>
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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (嘉興市新開元工貿有限公司), Jiaxing City Triumph Electric Company Limited<sup>#</sup> (嘉興市凱旋電子有限公司) alleged that it owns part of the interest in the Property in

<sup>#</sup> *The English transliteration of the Chinese names in this Prospectus, 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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (嘉興市凱旋電子有限公司) and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited<sup>#</sup> (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 Prospectus.

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

### 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 <i>HK\$'000</i> <i>Note (a)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group <i>HK\$'000</i> <i>Note (e)</i>	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
64,880	42,500	107,380	HK\$0.03608/ Share <i>(Note (c))</i>	HK\$0.02389/ Share <i>(Note (d))</i>

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*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 Prospectus, 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.*



Chartered Accountants  
Certified Public Accountants

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

19 February 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 of 899,022,397 offer shares at HK\$0.05 per offer Share on the basis of one offer share for every two shares held on record date payable in full on application (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 prospectus dated 19 February 2009 (the “Prospectus”).

The basis of preparation of the Unaudited Pro Forma Consolidated Net Tangible Assets is set out on page 130 to the Prospectus.

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

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Consolidated Net Tangible Assets in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Consolidated Net Tangible Assets and to report our opinion solely 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

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## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 May, 2001 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

### 1.        MEMORANDUM OF ASSOCIATION

- (a)        The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
  
- (b)        The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2.        ARTICLES OF ASSOCIATION

The following is a summary of certain provisions of the existing Articles:

#### (a)        **Directors**

##### (i)        *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

*(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or

become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum present at the meeting) but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary

remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed should be subject to election by members at the first general meeting after their appointment and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

The Company may from time to time in general meeting by ordinary resolution select any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed should be subject to election by members at the first general meeting after their appointment and shall then be eligible for re-election.

The Company may by ordinary resolution remove any Director (including a managing Director or other executive Director) before the expiration of his period of his term of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the company) and may elect another person in his stead. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(x) Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;



- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may from time to time by special resolution, subject to any confirmation or consent required by the Companies Law, reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any manner permitted by law.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (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 by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in

person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member 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 equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) 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.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that the authorization shall specify the number and class of shares in respect of which each such person is so authorised. Each person so authorized under this provision shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on

which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.



If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed

since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his

powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 December, 2001.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.



**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## 1. RESPONSIBILITY STATEMENT

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

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

## 2. SHARE CAPITAL

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

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>250,000,000.00</u>
 <i>Issued and fully paid:</i>		
1,798,044,795	Shares as at the Latest Practicable Date	89,902,239.75
899,022,397	Offer Shares to be issued	44,951,119.85
<u>1,798,044,794</u>	Bonus Shares to be issued	<u>89,902,239.70</u>
 <u>4,495,111,986</u>	 Shares upon completion of the Open Offer and Bonus Issue	 <u>224,755,599.30</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares 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 ( <i>Note</i> )	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
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%
Quam Securities (Note 3)	1,303,962,453	Long	Beneficial owner	28.04%*
PCSL (Note 4)	900,000,000	Long	Beneficial owner	19.35%*

\* percentage calculated base on the Shares as enlarged by the Offer Shares and Bonus Shares.

*Notes:*

- The issued share capital of Easeglory is 100% beneficially owned by Mr Yung. Ms Yung Muk Ying is deemed to be interested in 375,706,000 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.
- Mr Lau is interested in 212,933,637 Shares, being the aggregate of the 170,320,000 Shares and the 42,613,637 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.
- These Shares represent the maximum number of 434,654,151 Offer Shares to be underwritten by Quam Securities and its respective maximum entitlements to the 869,308,302 Bonus Shares pursuant to the Underwriting Agreement.
- These Shares represent the maximum number of 300,000,000 Offer Shares to be underwritten by PCSL and its respective maximum entitlements to the 600,000,000 Bonus Shares pursuant to the Underwriting Agreement.

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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (嘉興市新開元工貿有限公司), Jiaxing City Triumph Electric Company Limited<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (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<sup>#</sup> (嘉興市新開元工貿有限公司) shall be responsible for the Shuguang Dispute.

<sup>#</sup> *The English transliteration of the Chinese names in this Prospectus, 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<sup>#</sup> (嘉興市凱旋電子有限公司) and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited<sup>#</sup> (嘉興市新開元工貿有限公司) regarding the ownership of the Property in Dispute.

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

## 7. MATERIAL CONTRACTS

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

- (a) the 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 Righttime Development Limited (“Righttime”) and the assignment of all the debts, liabilities and obligations of Righttime owing or incurred by Righttime to the Company for a total consideration of HK\$1,900,000;
- (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 expert who has given its opinions and advice which are included in this Prospectus:

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

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

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

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong
Authorised representatives	Yung Kwok Leong Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong  Shum Ngai Pan Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong
Compliance officer	Yung Kwok Leong Room 1902 19/F., Sing Pao Building No. 101 King's Road North Point Hong Kong
Company Secretary	Lam Williamson, <i>CPA, CPA</i> (Australia)
Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F., Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

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
Legal advisers to the Company	<i>As to Hong Kong Law:</i> Michael Li & Co. 14/F, Printing House 6 Duddell Street, Central Hong Kong  <i>As to Cayman Islands Law:</i> 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, was appointed as an independent non-executive Director on 1 November 2007. Ms Wong 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, joined the Group in October 2007 as 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.

**Mr Lam Williamson**, aged 34, joined the Group in December 2007 as 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, joined the Group in January 2007 as 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.

All of the above senior management members have entered into employment contracts with the Group. There is no definitive term for each of the employment contracts and parties thereto each employment contract are entitled to terminate the employment contract by giving one month/three months, if applicable, notice in writing.

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

Mr Yung	Room 1902
Dr Jiang Tao	19/F., Sing Pao Building
Mr Zheng	No. 101 King's Road
Ms Shum	North Point
Mr Cheng Jin Shan	Hong Kong
Dr Wong Yu Man, James	G/F., 2A Hing Fat Building 11 Yu King Square, Yuen Long N.T., Hong Kong
Ms Wong Ka Wai, Jeanne	Unit 13B, Hang Lung House 184–192, Queen's Road, Central Hong Kong
Mr Hsu William Shiu Foo	55–516A Moana Street, Laie Hawaii, 96762 USA
Prof Yu Chai Mei	Department of Environmental Science The Chinese University of Hong Kong Shatin, New Territories Hong Kong
Dr Pan Xilong 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:

<b>Categories of grantees</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of Pre-IPO Share Options outstanding</b>
Former employee and adviser of the Group	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:

<b>Categories of grantees</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of Post-IPO Share Options outstanding</b>
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
<b>Total</b>			<b>145,167,340</b>

**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.

Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities. The Group will have sufficient foreign exchange, generated from the operation of the PRC subsidiaries to pay forecasted and to meet its foreign exchange liabilities as they become due. The Company will pay its dividends, if any, in Hong Kong dollars.

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

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong during normal business hours from the date of this Prospectus up to and including Thursday, 12 March 2009:

- (a) the memorandum and articles of associations 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 third quarterly report 2008/2009 of the Company for the nine months ended 31 December 2008;
- (d) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this Prospectus;

- (e) the letter from HLB Hodgson Impey Cheng on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this Prospectus;
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (g) the written consents referred to in the paragraph headed “Expert and consent” in this appendix;
- (h) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 March 2008, the date of the latest published audited consolidated financial statements of the Group were made up;
- (i) each of the service contracts referred to in paragraph headed “Directors Service Contract” in this appendix; and
- (j) this Prospectus.