



中國衛生控股有限公司

**CHINA HEALTHCARE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

INTERIM  
REPORT

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The Board of Directors (the “Board”) of China HealthCare Holdings Limited (the “Company”) would like to present the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006. These interim financial statements have been reviewed by the Audit Committee of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		<b>For the six months ended 30 September</b>	
	Notes	<b>2006 (Unaudited) HK\$'000</b>	2005 (Unaudited) HK\$'000
Turnover	3	<b>378,868</b>	3,546
Other operating income		<b>10,122</b>	372
Change in inventories of finished goods		<b>26,925</b>	(417)
Raw material and consumables used		<b>(401,797)</b>	(2,269)
Staff costs		<b>(8,517)</b>	(8,580)
Consultancy fees		<b>(1,707)</b>	(1,906)
Operating lease payments		<b>(2,314)</b>	(1,854)
Depreciation and amortisation		<b>(1,993)</b>	(1,144)
Impairment losses of goodwill		–	(4,500)
Other operating expenses		<b>(9,071)</b>	(7,273)
Loss from operations	4	<b>(9,484)</b>	(24,025)
Share of profit of associates		<b>26</b>	–
Finance costs	5	<b>(5,637)</b>	(1,565)
<b>Loss before taxation</b>		<b>(15,095)</b>	(25,590)
Taxation	6	<b>(202)</b>	–
<b>Loss for the period</b>		<b>(15,297)</b>	(25,590)
Attributable to:			
Equity holders of the Company		<b>(15,007)</b>	(23,641)
Minority interests		<b>(290)</b>	(1,949)
		<b>(15,297)</b>	(25,590)
Loss per share (HK\$)	8		
– Basic		<b>(0.06)</b>	(0.10)
– Diluted		<b>N/A</b>	N/A

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AT 30 SEPTEMBER 2006

	Notes	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		18,673	11,968
Goodwill		44,846	23,886
Other intangible assets		2,077	1,111
Interest in associates		1,764	1
		<b>67,360</b>	<b>36,966</b>
<b>Current assets</b>			
Inventories		37,983	2,646
Trade receivables	9	5,175	3,289
Prepayments, deposits and other receivables		11,978	8,049
Loan receivables		8,342	7,806
Bank balances and cash		112,771	47,894
		<b>176,249</b>	<b>69,684</b>
<b>Current liabilities</b>			
Trade payables	10	389	1,409
Other payables and accrued liabilities		33,644	12,221
Amounts due to directors		7,193	6,942
Tax payable		476	–
Derivative component of convertible bonds		397	–
Derivative component of redeemable convertible cumulative preference shares	12	18,397	–
		<b>60,496</b>	<b>20,572</b>
<b>Net current assets</b>		<b>115,753</b>	<b>49,112</b>
<b>Total assets less current liabilities</b>		<b>183,113</b>	<b>86,078</b>
<b>Non-current liabilities</b>			
Convertible bonds	11	68,125	48,992
Redeemable convertible cumulative preference shares	12	81,251	–
		<b>149,376</b>	<b>48,992</b>
<b>NET ASSETS</b>		<b>33,737</b>	<b>37,086</b>

		<b>At 30 September 2006 (Unaudited) HK\$'000</b>	At 31 March 2006 (Audited) HK\$'000
	Notes		
<b>Capital and reserves</b>			
Share capital	13	<b>23,437</b>	23,437
Reserves		<b>(5,903)</b>	8,036
<b>Equity attributable to equity holders of the Company</b>		<b>17,534</b>	31,473
<b>Minority interests</b>		<b>16,203</b>	5,613
<b>TOTAL EQUITY</b>		<b>33,737</b>	37,086

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
– UNAUDITED**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bonds reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2005	21,707	194,543	57,124	2,195	16	-	(168,723)	106,862	8,671	115,533
Recognition of equity-settled share based payment	-	-	-	-	-	148	-	148	-	148
Recognition of equity component of convertible bonds	-	-	-	3,592	-	-	-	3,592	-	3,592
Issue of shares upon conversion of convertible bonds	1,730	17,765	-	(2,195)	-	-	-	17,300	-	17,300
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	2,032	2,032
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	(13)	-	-	(13)	-	(13)
Loss for the period	-	-	-	-	-	-	(23,641)	(23,641)	(1,949)	(25,590)
At 30 September 2005	23,437	212,308	57,124	3,592	3	148	(192,364)	104,248	8,754	113,002
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	357	-	-	357	-	357
Loss for the period	-	-	-	-	-	-	(73,132)	(73,132)	(3,141)	(76,273)
At 31 March 2006	23,437	212,308	57,124	3,592	360	148	(265,496)	31,473	5,613	37,086
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	8,066	8,066
Dividend payable to minority interests	-	-	-	-	-	-	-	-	2,646	2,646
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	1,068	-	-	1,068	168	1,236
Loss for the period	-	-	-	-	-	-	(15,007)	(15,007)	(290)	(15,297)
<b>At 30 September 2006</b>	<b>23,437</b>	<b>212,308</b>	<b>57,124</b>	<b>3,592</b>	<b>1,428</b>	<b>148</b>	<b>(280,503)</b>	<b>17,534</b>	<b>16,203</b>	<b>33,737</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	<b>For the six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in from operating activities	<b>(47,842)</b>	(20,380)
Net cash used in investing activities	<b>(4,145)</b>	(17,765)
Net cash from financing activities	<b>116,025</b>	51,256
Net increase in cash and cash equivalents	<b>64,038</b>	13,111
Effect of foreign exchange rate changes	<b>839</b>	(13)
Cash and cash equivalents at 1 April	<b>47,894</b>	47,318
Cash and cash equivalents at 30 September represented by bank balances and cash	<b>112,771</b>	60,416

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

### 1. BASIS OF PRESENTATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2006, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosure <sup>1</sup>
HKFRS 7	Financial Instruments Disclosure <sup>1</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006

### 3. SEGMENT INFORMATION

For management purposes, the Group is currently organized into four operating divisions – (i) producing and trading of biotechnology products, (ii) provision for healthcare services, (iii) selling mobile phone usage fees by e-commerce and (iv) investment holding. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue and segment results by business and geographical segments is as follows:

#### Business segments

	Producing and trading of biotechnology products (Unaudited) HK\$'000	Provision for healthcare services (Unaudited) HK\$'000	Selling mobile phone usage fees by e-commerce (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Consolidated Total (Unaudited) HK\$'000
<b>Income statement</b>					
For the six months ended					
30 September 2006					
Segment revenue	1,682	1,661	375,525	-	378,868
Segment results	(1,124)	(6,379)	1,352	-	(6,151)
Other operating income					10,122
Unallocated corporate expenses					(13,455)
Loss from operations					(9,484)
Share of profit of associates					26
Finance costs					(5,637)
Loss before taxation					(15,095)
Taxation					(202)
Loss for the period					(15,297)

# CHINA HEALTHCARE HOLDINGS LIMITED

## Business segments

	Producing and trading of biotechnology products (Unaudited) HK\$'000	Provision for healthcare services (Unaudited) HK\$'000	Selling mobile phone usage fees by e-commerce (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Consolidated Total (Unaudited) HK\$'000
Income statement For the six months ended 30 September 2005					
Segment revenue	2,840	706	-	-	3,546
Segment results	(845)	(6,748)	-	(4,500)	(12,093)
Other operating income					372
Unallocated corporate expenses					(12,304)
Loss from operations					(24,025)
Finance costs					(1,565)
Loss before taxation					(25,590)
Taxation					-
Loss for the period					(25,590)

## Geographical segments

The Group's operations are principally located in Hong Kong and other regions of the People's Republic of China ("Mainland China").

**4. LOSS FROM OPERATIONS**

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

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,863	1,049
Amortisation of intangible assets	130	95
Fair value loss on derivative component of convertible bonds	627	–
(Profit)/Loss on disposal of property, plant and equipment	(3)	3
Interest Income	(1,226)	(348)
Fair value gain on derivative component of redeemable convertible cumulative preference shares	(8,509)	–

**5. FINANCE COSTS**

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on convertible bonds wholly repayable within five years	1,275	1,565
Dividend and amortisation on liability component of redeemable convertible cumulative preference shares	1,451	–
Issue costs on redeemable convertible cumulative preference shares	2,907	–
Interest on other loans	4	–

## 6. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits during the period (2005: Nil).

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>For the six months ended 30 September</b>	
	<b>2006 (unaudited) HK\$'000</b>	2005 (unaudited) HK\$'000
Current – Mainland China	<b>202</b>	–

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

## 7. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend (2005: Nil).

## 8. BASIC LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>For the six months ended 30 September</b>	
	<b>2006 (Unaudited) HK\$'000</b>	2005 (Unaudited) HK\$'000
Net loss for the period attributable to equity holders of the Company	<b>(15,007)</b>	(23,641)
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>'000 234,368</b>	'000 226,143

No diluted loss per share have been presented for the six months ended 30 September 2006 and 2005 as there are no dilutive potential ordinary shares in issue for both periods and the exercise of the Company's outstanding convertible bonds, redeemable convertible cumulative preference shares and options are not assumed since their exercise would decrease the loss per share.

**9. TRADE RECEIVABLES**

The Group allows a credit period of 10 to 60 days to its customers. The aged analysis of the Group is as follows:

	<b>At 30 September 2006 (Unaudited) HK\$'000</b>	At 31 March 2006 (Audited) HK\$'000
Within 30 days	<b>3,213</b>	280
31 – 60 days	<b>431</b>	273
61 – 90 days	<b>126</b>	156
91 – 120 days	<b>477</b>	165
Over 120 days	<b>928</b>	2,415
	<hr/>	<hr/>
Total	<b>5,175</b>	3,289
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amount of trade receivables approximates their fair value.

**10. TRADE PAYABLES**

The aged analysis of trade payables of the Group is as follows:

	<b>At 30 September 2006 (Unaudited) HK\$'000</b>	At 31 March 2006 (Audited) HK\$'000
Within 30 days	<b>22</b>	42
31 – 60 days	<b>104</b>	–
61 – 90 days	<b>33</b>	4
91-120 days	<b>112</b>	494
over 120 Days	<b>118</b>	869
	<hr/>	<hr/>
Total	<b>389</b>	1,409
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amount of trade payables approximates their fair value.

11. CONVERTIBLE BONDS

	Convertible Bonds due on 18 May 2009 (the "CB1") HK\$'000	Convertible Bonds due on 6 August 2010 (the "CB2") HK\$'000	Total HK\$'000
At 1 April 2006	48,992	–	48,992
Nominal value of convertible bonds issued during the period (note 14(a))	–	18,400	18,400
Derivative component of convertible bonds	–	230	230
Interest charged during the period	1,229	46	1,275
Interest paid during the period	(772)	–	(772)
<b>At 30 September 2006</b>	<b>49,449</b>	<b>18,676</b>	<b>68,125</b>

CB1 carry interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. Each CB1 entitles the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB1 remain outstanding on the maturity date, the Company will redeem the principal of CB1 at 100% of their face value.

CB2 carry interest at 2% per annum payable semi-annually in arrears with the first interest payment due on 6 February 2007 and the last interest payment due on 6 August 2010. Each CB2 entitles the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$1.16 per share during the period from 7 August 2006 to 6 August 2010. In addition, if CB2 remain outstanding on the maturity date, the Company will redeem the principal of CB2 at 100% of their face value. Details are disclosed in the Company's circular dated 16 June 2006.

The directors consider that the carrying amount of the liability component of the convertible bonds approximates their fair value.

**12. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES**

The net proceeds received from the issue of the redeemable convertible preference shares ("PS") have been split between the liability and derivative component, as follows:

	HK'000
Nominal value of PS issued during the period	117,000
Transaction cost related to liability component	(10,294)
Derivative component at the issuance date	<u>(26,906)</u>
Liability component at the issuance date	79,800
Dividend and amortisation on liability component	<u>1,451</u>
Liability component at 30 September 2006	<u>81,251</u>
Derivative component at the issuance date	26,906
Fair value gain recognised in current period	<u>(8,509)</u>
Derivative component at 30 September 2006	<u>18,397</u>

On 28 July 2006, the Company issued 15,000 PS. The PS carry dividend at 2% per annum payable, subject to adjustment to 5% on certain special events, semi-annually in arrears. The maturity date of the PS is falling on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the PS. Each PS entitles the holder to convert the preference shares into new shares of the Company at a conversion price, subject to adjustment, of HK\$1.16 per share at any time from 28 July 2006 to maturity date. In addition, the holder of the PS shall have the right at any time to require the Company to redeem all or any of the then outstanding PS held by it at the early redemption amount of such number of PS so redeemed, provided that the holder of the PS may not exercise such right prior to the maturity date if and for so long as any of certain special events shall not have occurred. Details are disclosed in the Company's circular dated 16 June 2006.

13. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	5,000,000,000	500,000
Non-voting preference shares of HK\$10.0 each	100,000,000	<u>1,000,000</u>
<b>At 31 March 2006 and 30 September 2006</b>		<u><u>1,500,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
<b>At 31 March 2006 and 30 September 2006</b>	<u><u>234,367,577</u></u>	<u><u>23,437</u></u>

14. ACQUISITION OF SUBSIDIARIES

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

On 1 August 2006, the Group acquired 70% equity interest in Shanghai Harvest Network Technology Co. Limited ("Shanghai Harvest") at a total consideration of HK\$36.4 million, of which HK\$18 million was satisfied in cash and HK\$18.4 million was satisfied by the issue of convertible notes.

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Shanghai Harvest HK\$'000	SNEI HK\$'000	Total HK\$'000
Net assets acquired	17,788	2,938	20,726
Goodwill arising on acquisition	18,612	1,546	<u>20,158</u>
Total consideration	<u>36,400</u>	<u>4,484</u>	<u>40,884</u>
Satisfied by:			
Cash	18,000	–	18,000
Offsetting amount advanced to the third party	–	4,484	4,484
Issue of convertible bonds (note 11)	18,400	–	<u>18,400</u>
	<u>36,400</u>	<u>4,484</u>	<u>40,884</u>

	<b>Shanghai Harvest</b>	<b>SNEI</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Net cash outflow arising on acquisition:			
Cash consideration paid	(18,000)	–	(18,000)
Cash and cash equivalents acquired	12,525	2,968	15,493
	(5,475)	2,968	(2,507)
	(5,475)	2,968	(2,507)

The subsidiaries acquired during the period contributed HK\$375,525,000 of revenue and HK\$1,022,000 of profit before tax for the period between the dates of acquisition and the balance sheet date.

- (b) On 1 August 2006, the Group acquired the additional 12.46% equity interest in CHC (Shanghai) Medical & Healthcare Services Limited at a cash consideration of HK\$802,000.

#### **15. RELATED PARTY TRANSACTIONS**

No significant related party transaction was entered into by the Group during the period ended 30 September 2006.

#### **16. POST BALANCE SHEET EVENT**

On 1 November 2006, the Group acquired 60% equity interest in Shanghai EPay Information Technology Company Limited ("Shanghai EPay") at a cash consideration of approximately HK\$1 million. Shanghai EPay is a domestic company incorporated in Mainland China and is principally engaged in distribution of mobile charge prepayments and other prepaid e-commerce products and services.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Results and Dividends

During the six months ended 30 September 2006, the Group recorded a turnover of HK\$379 million, representing a significant increase of 107 times as compared to HK\$3.5 million for the previous period and a net loss attributable to shareholders of HK\$15.0 million (2005: HK\$23.6 million). The basic loss per share for the period was HK6.4 cents (2005: 10.5 cents).

The directors do not recommend the payment of any interim dividend to the shareholders (2005: Nil).

### Business Review and Analysis

During the past six months, the Group has continued to focus on developing medical assistance services and successfully expanded into the market for related consumer oriented businesses. Working closely with our partners, the Group has been building up and fine tuning the delivery platform for interrelated and complementary healthcare and wellness and consumer oriented businesses. Under this framework, a key strategy for the Group will be to develop information-focused businesses, which is highly scalable and non-capital intensive.

In August 2006, the Group completed the funding exercise with Och-Ziff Capital Management Group (“OZ Group”) in relation to an investment in our group in the amount of US\$15 million. The Group is pleased that OZ Group, as one of the leading and most successful institutional investors globally, showed their confidence in our Group’s businesses and vision by making this investment. The OZ Group has provided us, and will continue to provide us, with access to their portfolio of investee companies and contacts that might have synergy with the Group. Going forward, we are pleased to partner with OZ Group – a very strong and constructively engaging institutional partner.

In August 2006, the Group completed the acquisition of 70% of Shanghai Harvest Network Technology Co. Limited (“Harvest”), a solidly proven and increasingly profitable B-to-C e-commerce distribution and settlement platform with annual revenue in excess of US\$250 million during the most recent fiscal year. The acquisition of Harvest represents an excellent strategic move for the Group to grow not just based on generic growth but through value enhancing acquisitions as well. Besides its synergy as an e-commerce platform in distributing health and wellness information focused medical assistance services to consumers, Harvest in its own right enjoys a market share of about 23% in Shanghai’s mobile phone prepayment market of about RMB9 billion plus, working in tandem with China

Mobile and China Unicom. Harvest is well poised to quickly capture up to 50% market share in this space in Shanghai through partnerships with retail networks and other leading POS operators in addition to almost 4,000 proprietary e-commerce terminals which are located in convenience and other retail outlets throughout Shanghai.

Recently the Group accomplished a major step in extending Harvest's e-commerce distribution/settlement platform beyond Shanghai to other parts of China, in particular, Beijing and Guangdong, in a non-capital intensive way. In late 2006, the Group successfully acquired a 60% controlling stake in Shanghai EPay, which is the only contractual party with China UnionPay ("UnionPay") to distribute mobile charge prepayments and other prepaid e-commerce products and services on the vast infrastructure of UnionPay's various POS terminals, primarily through PayEasy which is operated by Shanghai CardInfo Co. Ltd. ("CardInfo"), a subsidiary of UnionPay. UnionPay is the only credit card and interbank clearing network in China which links 14 major Chinese banks and many more smaller banks throughout of China. The linkage with UnionPay / CardInfo laid the foundation for the Group to expand substantially its e-commerce distribution/settlement platform by piggybacking on UnionPay for operating and delivering various prepaid e-commerce products and services. Those products and services are not only confined to mobile charge prepayments for China Mobile and China Unicom, Harvest's main business partners at present, but also higher margin and higher value-added pre-paid products and services with a more direct contribution to the Group's medical assistance business, such as pre-paid accident insurance and medical assistance membership programs. The Group is making systematic effort in integrating and bundling its ongoing and expanding B-to-C e-commerce delivery platform with its medical assistance business.

The Group's Emergency Assistance Medical Services ("EAMS") program, a B-to-B program primarily working with insurance companies to distribute a proprietary call center-based emergency medical assistance services on a pre-paid membership basis, has made some important strides. As of early December 2006, our subsidiary, Beijing Universal Medical Assistance Co., Ltd. ("BUMA"), has a continuously rising 248,340 ongoing registered members for its EAMS program as compared with 84,140 and 66,080 in early June 2006 and early December 2005, respectively. BUMA's call center in Beijing averages around 15 calls a day. BUMA has also been carefully monitoring the call center's activities since earlier this year and implemented a customer satisfaction program. The Group has brought in an expert in this area who was responsible previously for managing similar programs for AIG group covering Greater China.

Following newly enacted regulations in China from July 2006 that require all motor vehicles to possess compulsory liability insurance, BUMA has been marketing to and collaborating with Chinese property and casualty insurance companies to provide EAMS to their clients via such compulsory vehicle liability insurance. Besides the agreement with Sunshine Property & Casualty Insurance Company (“Sunshine”), where BUMA has accumulated over 150,000 EAMS members from Sunshine so far, BUMA has also entered into an analogous agreement with Bohai Property Insurance Company (“Bohai”) and is working on securing similar contracts with other property and casualty insurance companies to substantially increase its EAMS membership number in this category in the near future.

In mid June 2006, State Tourism Administration and China Insurance Regulatory Commission issued a joint directive calling for “in emergency” and “in accident” assistance among others. The Group is encouraged by such positive change in macro environment and prospect of medical assistance services in China and positioning itself as the value added service provider of nationwide medical assistance, and in this regard BUMA has entered into agreements with PICC Health Insurance Company Limited (“PICC Health”) to attach EAMS to PICC Health’s various tourist accident insurances and is working with other Chinese life insurance companies to attach EAMS to their accident insurances for business and leisure travelers. The Group is actively engaged in discussions with leading healthcare service and insurance companies in the U.S. to act as their service provider in China, and also to develop jointly medical assistance products for the growing number of Chinese travelers going overseas. The Group has also continued to establish working relationships with channel partners in Taiwan and Korea to distribute EAMS to their customers.

The Group also has been developing medical assistance programs for general health and wellness through our health asset management services (“HAMS”) backed by the Group’s unique access to the network of 914 hospitals, serving a member pool of institutional and individual clients. In particular, the Group is working on launching a health and wellness information-focused medical assistance services on prepaid B-to-C basis to consumers in Shanghai through Harvest e-commerce distribution / settlement platform and the Group’s clinic in Shanghai.

CHC Aesthetic Clinic in Beijing is continuing to grow its reputation as a leading cosmetic surgery facility and has conducted more than 250 procedures since its opening in May 2005.

Our biotech subsidiary, Shanghai Hao Yuan Biotechnology (“Hao Yuan”), expects to have its proprietary chip-based new diagnostic reagent for screening HBV; HCV and HIV approved by the State Food and Drug Administration (“SFDA”) of China in early 2007. The Group has concluded that Hao Yuan has reached the point where its primary focus should be on sales and marketing in order for efficient and rapid value creation and realization. Therefore, in early August 2006 the Group appointed a new General Manager for Hao Yuan who brings more than a decade of experience in marketing reagents, and medical devices and equipment in China both from multinational and entrepreneurial pursues. In addition to promoting Hao Yuan’s proprietary products, the Group has also started an initiative of expanding Hao Yuan’s diagnostic platform by sourcing a number of product distribution opportunities.

With substantial effort and progress made in building up access and marketing infrastructures in medical assistance sector in China and successful acquisition of a consumer oriented B-to-C e-commerce franchise, the Group has established a balanced portfolio of interrelated and synergistic businesses in both profitable expansion and cash burning development stage. With ever growing consumer power, mobility and health awareness of Chinese population in line with Chinese economic growth, the unique infrastructures and resources that the Group is able to access, and the Group’s scale and growth focused business model, the prospect for the Group to rise and achieve the dominant position as a value added healthcare and other consumer service provider is now within sight and reach. The Group is confident of very significant value and wealth creation in providing our niche products and services in the near future.

### Liquidity and Financial Resources

As at 30 September 2006, the total assets of the Group is approximately HK\$243.6 million and net current assets of approximately HK\$115.8 million, representing a current ratio of 2.91 (31 March 2006: 3.39). At the balance sheet date, the total borrowings of the Group amounted to HK\$149.4 million, represented by convertible bonds and redeemable convertible cumulative preference shares. In line with the business expansion goal of the Group, the Company issued HK\$18.4 million convertible bonds and HK\$117 million preference shares during the period, therefore, the gearing ratio of the Group as at 30 September 2006 has increased to 442.8% (31 March 2006: 132.1%), which was calculated on an amount of total equity of HK\$33.7 million (31 March 2006: HK\$37.1 million).

### Contingent Liabilities

As at 30 September 2006, there was no contingent liability of the Group.

### Charge on Group's assets

As at 30 September 2006, there was no charge on the Group's assets.

### Human Resources

As at 30 September 2006, the Group employed 179 (31 March 2006: 149) employees.

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

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

### Directors' and Chief Executives' Interests in Shares and Share Options

As at 30 September 2006, the interests or short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and convertible bonds of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director/chief executive	Company/ associated corporation	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interests in underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares at 30 Sept 2006
Dr. Li Zhong Yuan	The Company	Corporate (note 1)	19,808,000	-	19,808,000	8.45%
		Personal	4,635,000	3,625,000	8,260,000	3.52%
Dr. Ni Aimin	The Company	Personal	750,000	2,400,000	3,150,000	1.34%
Mr. Lee Jong Dae	The Company	Personal	3,026,500	3,600,000	6,626,500	2.83%
Mr. Deng Ku Hon	The Company	Personal	432,000	2,400,000	2,832,000	1.21%
Mr. Martin Treffer	The Company	Corporate (note 2)	1,295,000	-	1,295,000	0.55%
		Personal	250,000	900,000	1,150,000	0.49%
Mr. Li Xiao Ru	The Company	Personal	-	1,212,000	1,212,000	0.52%
Dr. Ma Yin Ming	The Company	Personal	-	150,000	150,000	0.06%
Mr. Mu Xiang Ming	The Company	Personal	-	210,000	210,000	0.09%

*Notes:*

1. These shares included 11,147,000 shares held through Pacific Annex Capital Limited and 8,661,000 shares held through Timenew Limited, both companies are wholly owned by Dr. Li Zhong Yuan.
2. These shares are held by 2Trade Group Limited which is beneficially owned by Mr. Martin Treffer as to 35%.
3. The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the directors/chief executives by the Company.

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

### Substantial Shareholders' Interests in Shares

As at 30 September 2006, so far as is known to Directors, those persons other than Directors and chief executive of the Company, who had the interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Interests in shares (other than pursuant to equity derivatives)	Interests in underlying shares pursuant to equity derivatives	Total interests in shares/ underlying shares	Percentage of shares and underlying shares to issued shares
China Healthcare Services Ltd	Beneficial owner	20,993,000		20,993,000	8.96%
Guo Kang Pharmaceutical & Medical Supplies Ltd	Beneficial owner	17,000,000	-	17,000,000	7.25%
Orient Access International Inc.	Beneficial owner	17,300,000	-	17,300,000	7.38%
OZ management, L.L.C.	Beneficial owner	-	95,066,688	95,066,688	40.56%
OZ Asia Master Fund Ltd. (Note 1)	Beneficial owner	-	46,586,758	46,586,758	19.88%
OZ Master Fund Ltd. (Note 1)	Beneficial owner	-	47,356,068	47,356,068	20.21%
Mr. Hou Shu Ming (Note 2)	Beneficial owner	-	15,862,068	15,862,068	6.77%

*Note 1:* Assuming that upon full conversion of the Preference Shares of the holders, the Company will issue 46,586,758 and 47,356,068 Conversion Shares to the Preference Shares holders, OZ Asia Master Fund Ltd. and OZ Master Fund Ltd, respectively, as stated in the Company's announcement of 28 April 2006 and the Company's circular of 16 June 2006.

*Note 2:* Assuming that upon full conversion of the Convertible Notes, the Company will issue 15,862,068 CN Conversion Shares to the CN holder, Mr. Hou Shu Ming, as stated in the Company's announcement of 28 April 2006 and the Company's circular of 16 June 2006.

## Share Option Schemes

There is no change in any terms of the share option schemes of the Company during the six months ended 30 September 2006. The detailed terms of the share option schemes were disclosed in the Company's 2006 annual report.

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

Directors	Option type	Outstanding at 1 April 2006	Granted	Exercised	Lapsed	Outstanding at 30 September 2006
<b>Director</b>						
Li Zhong Yuan	A	25,000	-	-	-	25,000
	B	1,500,000	-	-	-	1,500,000
	C	2,100,000	-	-	-	2,100,000
Lee Jong Dae	B	1,500,000	-	-	-	1,500,000
	C	2,100,000	-	-	-	2,100,000
Ni Aimin	B	1,500,000	-	-	-	1,500,000
	C	900,000	-	-	-	900,000
Deng Ku Hon	B	1,500,000	-	-	-	1,500,000
	C	900,000	-	-	-	900,000
Martin Treffer	C	900,000	-	-	-	900,000
Li Xiao Ru	B	1,002,000	-	-	-	1,002,000
	C	210,000	-	-	-	210,000
Ma Yin Ming	C	150,000	-	-	-	150,000
Mu Xiang Ming	C	210,000	-	-	-	210,000
Total Director		14,497,000	-	-	-	14,497,000
<b>Management and staffs</b>						
	B	150,000	-	-	-	150,000
	C	390,000	-	-	120,000 (Note 1)	270,000
Total Management and staffs		540,000	-	-	120,000	420,000
<b>Advisors and consultants</b>						
	B	9,046,000	-	-	-	9,046,000
	C	9,522,000 (Note 2)	-	-	-	9,522,000
	D	99,000	-	-	-	99,000
Total advisors and consultants		18,667,000	-	-	-	18,667,000
<b>Total</b>		<b>33,704,000</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	<b>33,584,000</b>

Note 1: a staff resigned during the period.

Note 2: Mr. Robin Willi resigned as director of the Company on 15 August 2006, but he remains as advisor within the Group. Therefore, according to the Share Option Scheme, Mr. Willi is eligible to entitle as holder of the 900,000 options.

Option type	Date of grant	Exercisable Period	Exercise price HK\$	Closing price immediately before the date of grant HK\$
A	31 Aug 2001	31/8/2001- 15/5/2011	8.60*	12.000*
B	2 February 2004	2/2/2004- 7/4/2012	3.40	3.800
C	3 March 2005	3/3/2005- 7/4/2012	2.325	2.325
D	20 June 2005	20/6/2005- 7/4/2012	2.330	2.300

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

### Purchase, Sale or Redemption of Listed Securities

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 30 September 2006, except for the following:-

Under the A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three independent non-executive directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

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

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the “Model Code”). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

### **Audit Committee**

The Company’s audit committee comprises three independent non-executive directors. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2006.

On behalf of the Board

**Dr. Li Zhong Yuan**

*Chairman*

Hong Kong, 22 December 2006