

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2003*

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Best Chance Holdings Limited, a company which is incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 13 and 14 respectively.

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

### Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries operating outside Hong Kong at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

### Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received, dividends received and interest paid, which were previously presented under a separate heading, are classified as investing and financing cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current or prior year.

For the year ended 31st March, 2003

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

### **Employee Benefits**

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries and associate which are 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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

For the year ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis based on an analysis of the circumstances from which the balance resulted. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Interest in a jointly controlled entity**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

#### **Investment in an associate**

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the investment in associate is stated at the Group's share of the net assets of the associate less any discount on acquisition in so far as it has not already been released to income, less any identified impairment loss.

For the year ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

Income from provision of freight forwarding agency services is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of investments in securities are recognised when the sales contract becomes unconditional.

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

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment property is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation or amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

For the year ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the reducing balance method, at the following rates per annum:

Leasehold improvements	15% or over the term of the lease, whichever is shorter
Furniture and fixtures	10% – 33.33%
Office equipment	10% – 20%
Motor vehicles	16.67% – 33.33%
Plant and machinery	10%

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

#### Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its 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, such 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.

#### Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

For the year ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefit schemes

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The amounts of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### 4. TURNOVER

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
International air and sea freight forwarding	<b>11,004</b>	49,291
Securities investment	<b>17,405</b>	33,881
	<hr/> <b>28,409</b> <hr/>	<hr/> 83,172 <hr/>

For the year ended 31st March, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operations are principally located in North and South America, Hong Kong, other locations in the People's Republic of China (the "PRC") and others. An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segment is as follows:

	International air and sea freight forwarding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2003			
Turnover			
External	<u>11,004</u>	<u>17,405</u>	<u>28,409</u>
Results			
Segment result	<u>(2,293)</u>	<u>(15,209)</u>	(17,502)
Unallocated corporate expenses			(39,853)
Interest income			2,004
Loss from operations			(55,351)
Interest on borrowings wholly repayable within five years			(19)
Gain on dilution of interests in subsidiaries			13,809
Share of results of an associate			(5,067)
Loss before taxation			(46,628)
Taxation			(180)
Loss before minority interests			(46,808)
Minority interests			88
Net loss for the year			<u>(46,720)</u>
ASSETS			
Segment assets	<u>1,767</u>	<u>14,189</u>	15,956
Interest in an associate			48,018
Unallocated corporate assets			77,305
Consolidated total assets			<u>141,279</u>
LIABILITIES			
Segment liabilities	<u>1,961</u>	<u>1,185</u>	3,146
Unallocated corporate liabilities			3,665
Consolidated total liabilities			<u>6,811</u>
OTHER INFORMATION			
Additions to property, plant and equipment	2	-	2,352
Depreciation	92	-	840
Unrealised holding loss on investments in securities	-	14,513	14,513
Impairment loss on investments in securities	-	-	21,450

# NOTES TO THE FINANCIAL STATEMENTS



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

	International air and sea freight forwarding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2002			
Turnover			
External	49,291	33,881	83,172
Results			
Segment result	(11,020)	(599)	(11,619)
Unallocated corporate expenses			(12,484)
Interest income			1,245
Loss from operations			(22,858)
Interest on borrowings wholly repayable within five years			(29)
Gain on disposal of interests in subsidiaries			8,568
Share of results of an associate			(1,554)
Share of results of a jointly controlled entity			(1,494)
Loss before taxation			(17,367)
Taxation			(32)
Loss before minority interests			(17,399)
Minority interests			(427)
Net loss for the year			(17,826)
ASSETS			
Segment assets	7,073	60,996	68,069
Interest in an associate			25,647
Unallocated corporate assets			92,435
Consolidated total assets			186,151
LIABILITIES			
Segment liabilities	5,689	16,610	22,299
Unallocated corporate liabilities			1,180
Consolidated total liabilities			23,479
OTHER INFORMATION			
Additions to property, plant and equipment	1,145	–	1,145
Depreciation	350	–	350
Unrealised holding loss on investments in securities	–	1,115	1,115
Impairment loss recognised on investments in securities	–	–	360

For the year ended 31st March, 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### GEOGRAPHICAL SEGMENTS

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services.

	Turnover	
	2003 HK\$'000	2002 HK\$'000
North and South America	5,087	30,381
Hong Kong	17,405	38,094
PRC	–	2,756
Others	5,917	11,941
	<u>28,409</u>	<u>83,172</u>

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
North and South America	902	3,161	–	–
Hong Kong	87,548	156,423	77	1,145
PRC	51,964	25,647	2,273	–
Others	865	920	2	–
	<u>141,279</u>	<u>186,151</u>	<u>2,352</u>	<u>1,145</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income	2,004	1,245
Dividend income from listed securities	69	–
Sundry income	285	1,511
	<u>2,358</u>	<u>2,756</u>

## 7. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments ( <i>note 8(a)</i> )	1,954	1,952
– other staff costs	4,030	7,599
– retirement benefits scheme contributions, excluding directors and net of forfeited contributions of HK\$61,000 (2002: HK\$210,000)	135	312
– severance payment	–	1,819
Total staff costs	<u>6,119</u>	<u>11,682</u>
Auditors' remuneration	634	834
Allowances for bad and doubtful debts	1,734	1,950
Deficit arising on revaluation of investment property	120	150
Depreciation	840	350
Loss on disposal of property, plant and equipment	21	2,953
Unrealised holding loss on investments in securities	<u>14,513</u>	<u>1,115</u>

For the year ended 31st March, 2003

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) DIRECTORS' EMOLUMENTS

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Fees:		
– Executive directors	–	–
– Non-executive director	–	–
– Independent non-executive directors	<b>120</b>	120
	<b>120</b>	120
Other emoluments:		
– Executive directors		
Salaries and other benefits	<b>1,754</b>	1,770
Retirement benefits scheme contributions	<b>80</b>	62
	<b>1,834</b>	1,832
Total directors' remuneration	<b>1,954</b>	1,952

The aggregate remuneration of each individual director was less than HK\$1,000,000.

For the year ended 31st March, 2003

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2002: two) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2003: three) individuals were as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Salaries and other benefits	<b>908</b>	812
Retirement benefits scheme contributions	<b>41</b>	38
Severance payment	<b>—</b>	102
	<hr/> <b>949</b> <hr/>	<hr/> 952 <hr/>

During the years ended 31st March, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group.

During the year ended 31st March, 2002, the Group paid HK\$70,000 to one of the directors as compensation for loss of office.

## 9. TAXATION

The charge for both years represent provision for tax in jurisdictions other than Hong Kong calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made during the year as the Group incurred a tax loss for the year.

Details of deferred taxation are set out in note 23.

For the year ended 31st March, 2003

**10. LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss for the year of HK\$46,720,000 (2002: HK\$17,826,000) and on the weighted average of 4,380,075,655 (2002: 2,212,737,030) ordinary shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the share options and warrants as their exercise would result in a decrease in loss per share for both years.

**11. INVESTMENT PROPERTY**

	<b>THE GROUP</b>
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2002	1,050
Deficit arising on revaluation	(120)
	<hr/>
At 31st March, 2003	<u>930</u>

This investment property was held under medium term lease and situated in Hong Kong.

The Group's investment property was revalued at 31st March, 2003 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on the revaluation of HK\$120,000 has been charged to the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST						
At 1st April, 2002	-	334	1,018	619	861	2,832
Exchange realignment	-	-	13	-	-	13
Acquisition of subsidiaries	5,459	213	-	592	490	6,754
Additions	-	15	4	461	1,872	2,352
Disposals	-	-	(239)	-	-	(239)
Disposal of subsidiaries	(5,459)	(213)	-	(592)	(490)	(6,754)
At 31st March, 2003	-	349	796	1,080	2,733	4,958
DEPRECIATION						
At 1st April, 2002	-	113	805	433	317	1,668
Exchange realignment	-	-	11	-	-	11
Provided for the year	40	236	94	179	291	840
Eliminated on disposals	-	-	(214)	-	-	(214)
Disposal of subsidiaries	(40)	-	-	(79)	(40)	(159)
At 31st March, 2003	-	349	696	533	568	2,146
NET BOOK VALUES						
At 31st March, 2003	-	-	100	547	2,165	2,812
At 31st March, 2002	-	221	213	186	544	1,164

For the year ended 31st March, 2003

### 13. INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	55,059	51,059
Less: Impairment loss recognised	<u>(51,059)</u>	<u>(51,059)</u>
	4,000	–
Amounts due from subsidiaries	257,192	247,144
Less: Allowances	<u>(178,011)</u>	<u>(128,283)</u>
	<u>79,181</u>	<u>118,861</u>
	<u><b>83,181</b></u>	<u><b>118,861</b></u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.



For the year ended 31st March, 2003

### 13. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Jet Dispatch Limited	United States of America	US\$3,000	–	100	Freight forwarding agent
Jet Air (Singapore) Private Limited	Singapore	S\$500,000	–	93	Air freight forwarding and brokers for airline and shipping companies
Square Profits Group Inc.	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Dragon Air Investments Limited	Niue/ Hong Kong	US\$50,000	–	100	Investment holding
Heatwave Industries Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Securities investment
北京益來教育投資顧問有限公司 (「北京益來」)	The PRC	RMB4,238,600	100	–	Trading and development of education softwares

Except for 北京益來 which is a wholly owned foreign enterprise in the PRC, all other subsidiaries are limited companies incorporated in the respective jurisdictions.

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

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

For the year ended 31st March, 2003

#### 14. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	49,957	25,647
Negative goodwill		
– Retained on dilution of interest in a subsidiary	(1,939)	–
	<u>48,018</u>	<u>25,647</u>

The negative goodwill is amortised to income on a straight line basis over 15 years.

Particulars of the associate at 31st March, 2003 are as follows:

Name of associate	Place of registration and operation	Proportion of nominal value of registered capital held indirectly by the Company %	Principal activity
南京新益華生物工程有限公司 (formerly known as 南京益來基因醫學有限公司) Nanjing E-Life Gene Technology Company ("E-Life Gene")	The PRC	47.11	Development of biotechnological genetic products

During the year, the Group increased its interest in E-Life Gene from approximately 51% to 89% for a total consideration of HK\$14.3 million.

Following an injection of registered capital in E-Life Gene by an independent investor, the Group's interest was diluted from approximately 89% to 47%.

For the year ended 31st March, 2003

## 14. INTEREST IN AN ASSOCIATE (Continued)

The following details have been extracted from the unaudited management accounts of E-Life Gene:

### Results for the year

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	<u>11</u>	<u>6</u>
Loss before taxation	<u>(11,340)</u>	<u>(3,049)</u>
Loss before taxation attributable to the Group	<u>(5,067)</u>	<u>(1,554)</u>

### Financial position

Non-current assets	<b>787</b>	6,598
Current assets	<b>106,035</b>	44,545
Current liabilities	<u>(779)</u>	<u>(856)</u>
Net assets	<u><b>106,043</b></u>	<u>50,287</u>
Net assets attributable to the Group	<u><b>49,957</b></u>	<u>25,647</u>

For the year ended 31st March, 2003

## 15. INVESTMENTS IN SECURITIES

	THE GROUP					
	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities:						
Listed – Hong Kong	–	–	14,189	22,746	14,189	22,746
Unlisted	16,800	38,250	–	–	16,800	38,250
	<b>16,800</b>	<b>38,250</b>	<b>14,189</b>	<b>22,746</b>	<b>30,989</b>	<b>60,996</b>
Club debentures	–	–	514	–	514	–
Classified under:						
Current	–	–	14,189	22,746	14,189	22,746
Non-current	16,800	38,250	514	–	17,314	38,250
	<b>16,800</b>	<b>38,250</b>	<b>14,703</b>	<b>22,746</b>	<b>31,503</b>	<b>60,996</b>
Market value of listed securities	–	–	14,189	22,746	14,189	22,746

The carrying value of listed securities in Hong Kong at 31st March, 2003 represents approximately 1.5% (2002: approximately 1.5%) interests in Beijing Beida Jade Bird Universal Sci-Technology Company Limited (“BBJB”), a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the “GEM Board”).

For the year ended 31st March, 2003

## 15. INVESTMENTS IN SECURITIES (Continued)

During the year ended 31st March, 2002, the Group, through an acquisition of a wholly owned subsidiary, acquired 30,000,000 promoters' shares in BBJB ("Promoters' Shares") of RMB0.01 each at a consideration of HK\$38,250,000, which is equivalent to 3.11% of then total issued share capital (including H shares and Promoters' Shares) of BBJB. Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on GEM Board in 2000. According to the Company Law in the PRC, Promoters' Shares could not be transferable within three years from the date of incorporation of BBJB on 29th March, 2000. Upon its maturity date on 28th March, 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is applying for listing of Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB. The Group identified its investment in the Promoters' Shares as for long-term strategic purpose and thus the amount is treated as investment securities.

At 31st March, 2003, the directors of the Company reviewed the carrying amount of the Promoters' Shares by reference to the market value of BBJB's listed shares on the GEM Board and an impairment loss of HK\$21,450,000 was identified and charged to the consolidated income statement.

## 16. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers with credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0-30 days	724	1,275
31-60 days	406	159
61-90 days	179	125
Over 90 days	64	1,458
	<hr/>	<hr/>
	1,373	3,017
Add: Deposits and prepayments	1,303	14,723
	<hr/>	<hr/>
	<b>2,676</b>	<b>17,740</b>
	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31st March, 2003

**17. SHORT TERM RECEIVABLES**

At 31st March, 2003, the amounts are unsecured, carry interest at prime rate plus 1% per annum and were settled subsequent to the balance sheet date.

At 31st March, 2002, the amount was unsecured, carried interest at 8% per annum and was fully settled during the year ended 31st March, 2003.

**18. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES**

Included in creditors, accrued charges and other payables are trade creditors with the following aged analysis:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>595</b>	1,112
31-60 days	<b>83</b>	74
61-90 days	<b>18</b>	54
Over 90 days	<b>1,820</b>	1,610
	<hr/>	<hr/>
	<b>2,516</b>	2,850
Add: Accrued charges and other payables	<b>4,203</b>	20,585
	<hr/>	<hr/>
	<b>6,719</b>	23,435
	<hr/> <hr/>	<hr/> <hr/>

At 31st March, 2003, included in accrued charges and other payables is an amount of HK\$1,185,000 (2002: Nil) which represents the margin loan facilities utilised by the Group. The amount is unsecured, bears interest at prime rate plus 3% and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 19. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares '000</b>	<b>Value HK\$'000</b>
<i>Authorised:</i>			
Ordinary shares of HK\$0.10 each at 1st April, 2001		1,500,000	150,000
Adjustment of nominal value	<i>(a)</i>	–	(75,000)
Cancellation of unissued authorised share capital of HK\$0.10 each	<i>(a)</i>	(480,625)	(24,031)
		<hr/>	<hr/>
Ordinary shares of HK\$0.05 each Increase	<i>(a) &amp; (c)</i>	1,019,375 10,980,625	50,969 549,031
		<hr/>	<hr/>
Ordinary shares of HK\$0.05 each at 31st March, 2002 and 31st March, 2003		<u>12,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.10 each at 1st April, 2001		1,019,375	101,937
Adjustment of nominal value	<i>(a)</i>	–	(50,968)
		<hr/>	<hr/>
Ordinary shares of HK\$0.05 each Exercise of share options	<i>(b)</i>	1,019,375 13,000	50,969 650
Issue of shares	<i>(c)</i>	3,000,000	150,000
		<hr/>	<hr/>
Ordinary shares of HK\$0.05 each at 31st March, 2002		4,032,375	201,619
Issue of shares	<i>(d)</i>	370,000	18,500
Exercise of warrants	<i>(e)</i>	6	–
		<hr/>	<hr/>
Ordinary shares of HK\$0.05 each at 31st March, 2003		<u>4,402,381</u>	<u>220,119</u>

For the year ended 31st March, 2003

## 19. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to resolutions passed by the shareholders of the Company in the special general meeting held on 21st May, 2001, the Company carried out a capital reduction ("Capital Reduction") as follows:
- The nominal value of each issued share was reduced from HK\$0.10 to HK\$0.05 each;
  - The credit of approximately HK\$50,968,000 arisen as a result of the Capital Reduction was credited to the deficit of the Company;
  - The authorised but unissued share capital of the Company of approximately HK\$24,031,000 was cancelled and increased to HK\$150,000,000 by the creation of 1,980,624,340 ordinary shares of HK\$0.05 each.
- (b) The Company issued and allotted 13,000,000 shares of HK\$0.05 each in the Company for cash at HK\$0.144 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.
- (c) Pursuant to a special resolution passed at the special general meeting held on 10th September, 2001:
- The authorised share capital was further increased from HK\$150,000,000 to HK\$600,000,000 by the creation of 9,000,000,000 ordinary shares of HK\$0.05 each.
  - 2,256,000,000 new shares of HK\$0.05 each were issued and allotted to Best Chance Holdings Limited for cash at HK\$0.05 per share.
  - 744,000,000 shares at HK\$0.05 each were issued and allotted to institutional investors for cash at HK\$0.05 per share.
- The above transactions were completed on 5th November, 2001. The shares issued rank pari passu with the then existing shares in all respects.
- (d) Pursuant to a resolution passed at the special general meeting held on 23rd April, 2002, 370,000,000 shares at HK\$0.05 each were issued and allotted to an institutional investor for cash at HK\$0.05 per share. The proceeds were used for general working capital of the Group. The shares issued rank pari passu with the then existing shares in issue in all respects.
- (e) 6,000 shares of HK\$0.05 each were issued and allotted at HK\$0.14 per share as a result of the exercise of 6,000 warrants. The shares issued rank pari passu with the then existing shares in issue in all respects.



*For the year ended 31st March, 2003*

## 20. WARRANTS

During the year ended 31st March, 2003, 6,000 shares of HK\$0.05 each were issued and allotted as a result of the exercise of 6,000 warrants at the subscription price of HK\$0.14 per share. The outstanding warrants of approximately 88,787,000, which would result in the issue of 88,787,000 additional ordinary shares, expired on 9th January, 2003.

At 31st March, 2002, the Company had outstanding warrants with a total subscription value of HK\$12,431,051 at the subscription price of HK\$0.14 per share, subject to adjustment. The exercise in full of such warrants would result in the issue of approximately 88,793,000 additional ordinary shares of HK\$0.05 each.

## 21. SHARE OPTION SCHEMES

### (a) The 1996 Scheme

Pursuant to the share option scheme adopted on 5th March, 1996 (the "1996 Scheme") and effective for a period of ten years after the date of adoption of the scheme, the Company granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The subscription price, subject to adjustment, shall not be less than 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable for a period of four and a half years commencing on the expiry of six months after the date on which the options are granted. The total number of shares in respect of which options may be granted and had already been granted under the 1996 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted and had already been granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the 1996 Scheme.

Pursuant to the special resolution passed by shareholders of the Company on 18th March, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but in all other respects, the provisions of the 1996 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

For the year ended 31st March, 2003

## 21. SHARE OPTION SCHEMES (Continued)

### (a) The 1996 Scheme (Continued)

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 1996 Scheme was 6,648,000 (2002: 11,198,000), representing 0.15% (2002: 0.27%) of the shares of the Company in issue at that date.

The following table discloses movements in the Company's share options granted under the 1996 Scheme during the year:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			At 31.3.2003	
				At 1.4.2002	Granted during the year	Exercised during the year		Surrendered/ lapsed during the year
Directors/ former directors (Note)	17.11.2000	17.5.2001 to 17.11.2005	0.144	3,000,000	-	-	(1,000,000)	2,000,000
Other employees	7.3.2000	7.9.2000 to 7.3.2005	0.250	1,500,000	-	-	(800,000)	700,000
	11.4.2000	11.10.2000 to 11.4.2005	0.295	3,898,000	-	-	(400,000)	3,498,000
	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,800,000	-	-	(2,350,000)	450,000
Sub-total				8,198,000	-	-	(3,550,000)	4,648,000
Total				11,198,000	-	-	(4,550,000)	6,648,000

For the year ended 31st March, 2003

21. SHARE OPTION SCHEMES (Continued)

(a) The 1996 Scheme (Continued)

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				At 1.4.2001	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year	At 31.3.2002
Directors/ former directors (Note)	17.11.2000	17.5.2001 to 17.11.2005	0.144	3,000,000	-	-	-	3,000,000
Other employees	7.3.2000	7.9.2000 to 7.3.2005	0.250	1,700,000	-	-	(200,000)	1,500,000
	11.4.2000	11.10.2000 to 11.4.2005	0.295	3,898,000	-	-	-	3,898,000
	17.11.2000	17.5.2001 to 17.11.2005	0.144	15,800,000	-	(13,000,000)	-	2,800,000
Sub-total				21,398,000	-	(13,000,000)	(200,000)	8,198,000
Total				24,398,000	-	(13,000,000)	(200,000)	11,198,000

Note: The share options disclosed above included 1,000,000 share options which were held by a former director, Ms. Sun Ching Wai at 1st April, 2002 and 2001 and those share options were surrendered during the year ended 31st March, 2003.

During the year 31st March, 2002, 8,000,000, 300,000 and 4,700,000 share options, total at 13,000,000 share options under the 1996 scheme were exercised and the closing prices of the Company's shares immediately before the dates of exercise were HK\$0.130, HK\$0.183 and HK\$0.110, respectively.

For the year ended 31st March, 2003

## 21. SHARE OPTION SCHEMES (Continued)

### (b) The 2002 Scheme

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital as at 18th March, 2002, i.e. 403,237,500 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

For the year ended 31st March, 2003

## 21. SHARE OPTION SCHEMES (Continued)

### (b) The 2002 Scheme (Continued)

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 432,700,000, representing 9.83% of the shares of the Company in issue at that date.

The following table disclose movements in the Company's share options granted under the 2002 Scheme during the year:

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				At 31.3.2003
				At 1.4.2002	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year	
Directors	19.9.2002	19.9.2002 to 19.9.2005	0.119	-	9,000,000	-	-	9,000,000
	8.11.2002	8.11.2002 to 8.11.2005	0.119	-	373,900,000	-	-	373,900,000
		(Notes a & b)						
Sub-total				-	382,900,000	-	-	382,900,000
Other employees	19.9.2002	19.9.2002 to 19.9.2005	0.119	-	49,800,000	-	-	49,800,000
Total				-	432,700,000	-	-	432,700,000

For the year ended 31st March, 2003

## 21. SHARE OPTION SCHEMES (Continued)

### (b) The 2002 Scheme (Continued)

Notes:

- (a) These share options, which were proposed to grant on 19th September, 2002, were approved by the shareholders of the Company at the special general meeting of the Company held on 8th November, 2002.
- (b) Included in share options granted to directors during the year, a number of 12,000,000 share options were held by Mr. Wang Jian Hua's wife, Ms. Ma Jun Li, and Mr. Wang Jian Hua, a director of the Company, is therefore deemed to have an interest in these options.

During the year ended 31st March, 2003, total consideration received during the year from employees for taking up the options granted amounted to HK\$15 (2002: Nil).

No charge is recognised in the income statement in respect of the value of options granted in the year (2002: Nil).

## 22. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2001	55,578	48,311	(171,567)	(67,678)
Arising from Capital Reduction				
(Note 19 (a))	–	–	50,968	50,968
Premium on issue of shares	1,222	–	–	1,222
Share issue expenses	(5,442)	–	–	(5,442)
Net loss for the year	–	–	(18,266)	(18,266)
At 31st March, 2002	51,358	48,311	(138,865)	(39,196)
Net loss for the year	–	–	(54,725)	(54,725)
At 31st March, 2003	<u>51,358</u>	<u>48,311</u>	<u>(193,590)</u>	<u>(93,921)</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 22. RESERVES (Continued)

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2003 and 2002, the Company had no reserves available for distribution to shareholders.

## 23. DEFERRED TAXATION

The major components of the deferred taxation (credit) charge not recognised for the year are as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences attributable to:		
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	<b>100</b>	(27)
Tax loss (arising) utilised	<b>(6,161)</b>	583
	<hr/> <b>(6,061)</b> <hr/>	<hr/> 556 <hr/>

For the year ended 31st March, 2003

### 23. DEFERRED TAXATION (Continued)

At the balance sheet date, the major components of the deferred taxation asset (liability), not recognised in the financial statements, are as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	(57)	43	–	–
Unutilised tax losses	23,697	17,536	2,524	2,412
	<b>23,640</b>	<b>17,579</b>	<b>2,524</b>	<b>2,412</b>

The deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.



For the year ended 31st March, 2003

## 24. DILUTION/DISPOSAL OF INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	6,595	570
Negative goodwill	(3,667)	–
Debtors, deposits and prepayments	9,560	19,681
Investments in securities	12,640	–
Inventories	59	–
Bank balances and cash	18,520	3,732
Creditors, accrued charges and other payables	(780)	(28,535)
Income and other taxes payable	–	(1,586)
Minority interests	(5,125)	(746)
	<u>37,802</u>	<u>(6,884)</u>
Exchange reserve released	–	(319)
	<u>37,802</u>	<u>(7,203)</u>
Gain on dilution/disposal of interests in subsidiaries	<u>13,809</u>	<u>8,568</u>
	<u><u>51,611</u></u>	<u><u>1,365</u></u>
Satisfied by:		
Interest in an associate, net of negative goodwill of HK\$1,939,000	51,611	–
Cash	–	335
Other receivables	–	1,030
	<u><u>51,611</u></u>	<u><u>1,365</u></u>
Analysis of the net outflow of cash and cash equivalents in connection with the dilution/ disposal of interests in subsidiaries:		
Cash consideration received	–	335
Bank balances and cash disposed of	(18,520)	(3,732)
Net outflow of cash and cash equivalents	<u><u>(18,520)</u></u>	<u><u>(3,397)</u></u>

The subsidiary disposed of during the year ended 31st March, 2003 does not have significant contribution to the Group's turnover and loss from operations.

The subsidiaries disposed of during the year ended 31st March, 2002 contributed HK\$13,258,000 of turnover and HK\$1,261,000 of loss from operations to the Group.

For the year ended 31st March, 2003

## 25. PURCHASE OF SUBSIDIARIES

During the year, the Group increased its interest in E-Life Gene from 51% to 89%. Details of these are set out in note 14.

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Property, plant and equipment	6,754	–
Debtors, deposits and prepayments	4,129	–
Investments in securities	13,945	38,250
Inventories	59	–
Bank balances and cash	23,344	–
Creditors, accrued charges and other payables	(838)	–
Minority interests	(5,213)	–
	<u>42,180</u>	<u>38,250</u>
Less: Share of net assets recognised in respect of interest in an associate, net of negative goodwill of HK\$2,367,000	<u>(26,540)</u>	–
	<u>15,640</u>	38,250
Negative goodwill arising from acquisition	<u>(1,300)</u>	–
Consideration	<u><u>14,340</u></u>	<u><u>38,250</u></u>
Satisfied by:		
Cash	14,340	21,640
Other payables	–	16,610
	<u><u>14,340</u></u>	<u><u>38,250</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 25. PURCHASE OF SUBSIDIARIES (Continued)

Analysis of the net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash consideration paid	<b>(14,340)</b>	(21,640)
Bank balances and cash acquired	<b>23,344</b>	–
	<hr/>	<hr/>
Net inflow (outflow) of cash and cash equivalents	<b>9,004</b>	(21,640)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary acquired during both years does not have significant contribution to the Group's turnover and loss from operation.

## 26. CAPITAL COMMITMENTS

As at 31st March, 2003, the Company had capital commitment of HK\$6,000,000 (2002: Nil) in respect of the capital contribution to a subsidiary.

The Group had no significant capital commitments at 31st March, 2003 and 2002.

## 27. OPERATING LEASE ARRANGEMENTS

The Group has made approximately HK\$1,997,000 (2002: HK\$4,352,000) minimum lease payments under operating leases during the year in respect of office premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	<b>THE GROUP</b>	
	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	<b>1,445</b>	1,697
In the second to fifth years inclusive	<b>594</b>	1,971
	<hr/>	<hr/>
	<b>2,039</b>	3,668
	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31st March, 2003

**27. OPERATING LEASE ARRANGEMENTS (Continued)**

Leases are negotiated for an average term of one to two years and rentals are fixed for an average of one to two years.

At the balance sheet dates, the Company had no operating lease commitment.

**28. PLEDGE OF ASSETS**

At the balance sheet date, the Group's bank deposits of HK\$200,000 (2002: HK\$447,000) were pledged to banks to secure general banking facilities granted to the Group.

**29. RELATED PARTY TRANSACTIONS**

During the year, the Group entered into the following transactions with related companies as follows:

Name of company	Nature of transactions	Notes	2003	2002
			HK\$'000	HK\$'000
Shenzhen Merchant Jet-Air Transport Company Limited ("Shenzhen Merchant")	Freight income received by the Group	(a)	-	1,037
	Freight expenses paid by the Group	(a)	-	86
Triwayear Limited	Motor vehicle purchased by the Group	(b)	-	680
			<b>—</b>	<b>1,723</b>

Notes:

- (a) Shenzhen Merchant is a former jointly controlled entity of the Group.
- (b) Triwayear Limited is a company in which a director of the Company had a beneficial interest.

*For the year ended 31st March, 2003*

## 29. RELATED PARTY TRANSACTIONS (Continued)

In the opinion of the directors, the above transactions were undertaken in the ordinary business transactions and the terms were mutually determined and agreed between the Group and the related parties.

The Group's margin loan facilities as at 31st March, 2003 of approximately HK\$1,185,000 (2002: Nil) were secured by a personal guarantee given by Mr. Wang Jian Hua, a director of the Company.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

## 30. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK\$61,000 (2002: HK\$210,000). At the balance sheet date, there were no significant forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The amounts of contributions payable to pension scheme required by respective jurisdictions other than Hong Kong are also charged to the income statement.

The total cost charged to income statement of HK\$215,000 (2002: HK\$374,000) represents contributions payable to these schemes by the Group in respect of the current year.

*For the year ended 31st March, 2003*

### 31. POST BALANCE SHEET EVENTS

On 3rd April, 2003, the Company entered into an unconditional agreement for the acquisition of the entire issued share capital together with a non-interest bearing shareholder's loan of Honest Talents Limited ("Honest Talents"), a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK\$42,000,000. Honest Talents is engaged in the business of research and development of gene technology products.

The above transaction constituted a discloseable transaction for the Company under the Rules Governing the Listing Rules and was completed in May, 2003.

# NOTES TO THE FINANCIAL STATEMENTS