

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

1. Basis of preparation

The condensed 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 and with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. Principal accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the HKSA. The SSAPs that have an impact on the condensed financial statements are:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements

Statement of changes in equity

In accordance with revised SSAP 1, there was a change in the format of presentation of the statement of changes in equity. This change has had no material effect on the results for the current or prior accounting periods.

Foreign currencies

The revisions to SSAP 11 have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, 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 periods. Accordingly, no prior period adjustment has been required.

2. Principal accounting policies (continued)

Cash flow statements

Under revised SSAP 15, cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

3. Turnover

Turnover represents the net amounts received and receivable from sales of goods, sales of securities, sales of properties, interest income from provision of finance and notes receivable and property rentals during the period, and is analysed as follows:

	For the six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Continuing operations		
Sales of securities	2,960	18,856
Interest income from provision of finance and notes receivable	7,132	3,573
Property rentals	1,499	957
Sales of properties	–	9,600
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	11,591	32,986
Discontinued operations		
Manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs (note 10)	–	129,321
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	11,591	162,307
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4. Segment information

During the previous periods, the Group was organised into five main operating segments: manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs, provision of finance, trading and investment in securities, property holding and investment and investment activities.

As explained in note 10, the Group ceased its manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs operations during the prior year.

These divisions are the basis on which the Group reports its primary segment information.

Segmental information for the six months ended 30th September, 2002 and 2001 about these businesses is presented below:

Business segments

	For the six months ended 30th September, 2002					Consolidated HK\$'000
	Continuing operations			Discontinued operations		
	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities*	Manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	
Segment revenue	<u>7,082</u>	<u>2,960</u>	<u>1,499</u>	<u>50</u>	<u>-</u>	<u>11,591</u>
Segment results	<u>6,618</u>	<u>(110)</u>	<u>835</u>	<u>(1,621)</u>	<u>-</u>	<u>5,722</u>
Unallocated corporate expenses						<u>(7,671)</u>
Loss from operations						<u>(1,949)</u>

4. Segment information (continued)

Business segment (continued)

	For the six months ended 30th September, 2001					Consolidated HK\$'000
	Continuing operations				Discontinued operations	
	Provision of finance HK\$'000	Trading and investment in securities HK\$'000	Property holding and investment HK\$'000	Investment activities* HK\$'000	Manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs HK\$'000	
Segment revenue	<u>1,530</u>	<u>18,856</u>	<u>10,557</u>	<u>2,043</u>	<u>129,321</u>	<u>162,307</u>
Segment results	<u>1,437</u>	<u>471</u>	<u>176</u>	<u>2,043</u>	<u>(11,331)</u>	<u>(7,204)</u>
Unallocated corporate expenses						(8,166)
Unallocated other operating income						<u>347</u>
Loss from operations						<u>(15,023)</u>

* These activities comprise mainly of investment in application software business, investment securities and notes receivable.

5. Other operating income

	For the six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Included in other operating income is:		
Unrealised gain on other investments	<u>-</u>	<u>746</u>

6. Other operating expenses

For the six months ended 30th September,	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Included in other operating expenses are:

Unrealised loss on other investments	98	–
Cost for closure of retail outlets	–	5,590
	<u> </u>	<u> </u>

7. Loss from operations

For the six months ended 30th September,	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Loss from operations has been arrived at after charging:

Depreciation and amortisation	438	3,822
Loss on disposal of property held for resale	–	114
	<u> </u>	<u> </u>

8. Finance costs

For the six months ended 30th September,	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Finance costs comprise:

Interest on:

Bank and other borrowings wholly repayable within five years	393	1,861
Bank and other borrowings not wholly repayable within five years	–	139
Obligations under finance leases	–	13
	<u> </u>	<u> </u>
	393	2,013
	<u> </u>	<u> </u>

9. Investment income

	For the six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment income comprises:		
Interest income from		
Banks	52	395
Others	1,659	7
	<u>1,711</u>	<u>402</u>

10. Discontinued operations

In 2001, the Group disposed of the remaining 51% equity interest in Tung Fong Hung Investment Limited ("TFHI") at a consideration of HK\$45,900,000. TFHI and its subsidiaries were principally engaged in the business of manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs.

In addition, in 2002, the Group had entered into agreements with two third parties to terminate the acquisition of 河南興邦藥業有限公司 (Henan Xingbang Pharmacy Limited, "Xingbang Pharmacy"), a company incorporated in the People's Republic of China, other than Hong Kong (the "PRC") which is principally engaged in the manufacture, process, sale and export of traditional Chinese Medicine in the PRC.

As a result, the directors of the Company decided to cease the business of manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs. Accordingly, comparative figures for the prior period have been restated.

11. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for both periods.

The charge for the six months ended 30th September, 2001 represented overseas taxation calculated at the rates prevailing in the respective jurisdictions.

12. Dividend

No dividend was paid during both periods.

13. Loss per share

The calculation of the basic loss per share for the period is based on the net loss for the period of HK\$631,000 (six months ended 30th September, 2001: HK\$15,034,000) and on the number of 3,116,124,045 (six months ended 30th September, 2001: weighted average number of 1,229,383,779) ordinary shares in issue.

No diluted loss per share is presented for the six months ended 30th September, 2001 as the exercise and conversion of the share options and warrants would result in a decrease in the loss per share for that period.

14. Addition to property, plant and equipment

During the period, the Group spent HK\$47,000 (six months ended 30th September, 2001: HK\$22,916,000) on the acquisition of property, plant and equipment.

15. Intangible asset

The amount represents the technology know-how which was injected by a minority shareholder of a subsidiary during the current period. It was recorded at fair value at the date of injection. The operation of this subsidiary has not commenced and no amortisation is provided.

In the opinion of the directors of the Company, the underlying value of intangible asset as at 30th September, 2002 was not less than its carrying value in the books of the Group as at that date.

16. Properties held for resale

As explained in the Company's circular dated 26th July, 2001, the Group entered into a loan agreement (the "Loan Agreement") with a third party (the "Lender"), pursuant to which the Lender agreed to grant a revolving loan facility to the extent of HK\$30,000,000 to the Group and the Group transferred the title of the Group's properties held for resale (the "Properties") with a net carrying value of HK\$30,000,000 at 30th September, 2002 to a nominee of the Lender as securities for the obligations of the Group under the Loan Agreement. All the proceeds received from the Properties will belong to the Group. Upon repayment in full by the Group of all sum due under the Loan Agreement, the Lender shall procure the transfer of the Properties back to the Group. There was no drawn down of the loan at 30th September, 2002.

In December 2002, the Group entered into an agreement to dispose of the Properties at a consideration of HK\$30,000,000.

17. Short-term loans

	30.9.2002	31.3.2002
	HK\$'000	HK\$'000
The short-term loans comprise:		
Unsecured loans	170,772	123,543
Secured loan (<i>note below</i>)	50,000	50,000
	<u>220,772</u>	<u>173,543</u>

The short-term loans bear interest at prevailing market rate and are due for repayment within one year.

The Group negotiates credit period to borrowers according to the credit of individual borrower.

Note: The secured loan was secured by pledge of shares of property holding companies ("Property Companies") which are under the control of the borrowers. Pursuant to the agreement between the Group and the borrowers, the Group was granted a call option to require the borrowers to sell all of the shares of the Property Companies to the Group.

18. Commitments

	30.9.2002	31.3.2002
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>182,868</u>	<u>18,876</u>

In addition to the above, at 31st March, 2002, the Group had an outstanding commitment of HK\$49,515,000 in respect of the acquisition of Xingbang Pharmacy in the PRC.

19. Comparative figures

Comparative figures of turnover and other operating expenses have been reclassified to conform with the current period's presentation.