1. CORPORATE INFORMATION

(a) On 4th October 2002, the following transactions took place:

(i) Wealth Generator Limited ("Wealth Generator"), an independent third party, subscribed 5,000,000,000 ordinary shares of the Company at a subscription price of HK$0.01 per ordinary share in respect of 4,999,998,000 ordinary shares and at a subscription price of HK$0.08 per ordinary share in respect of 2,000 ordinary shares totaling approximately HK$50 million, which was settled in cash. Since then, Wealth Generator became the Company's ultimate holding company. The proceeds from the shares subscription were used to repay part of the loan from the former ultimate holding company, Quality HealthCare Asia Limited ("QHA").

(ii) Quality HealthCare Investment Limited ("QHI"), a wholly-owned subsidiary of QHA, subscribed for a convertible note with a face value of HK$7 million carrying rights to convert into new shares of the Company at HK$0.05 per share.

(iii) The Company entered into a distributorship agreement (the "Distributorship Agreement") with Shenzhen Wanji Medicine Products Co. Ltd. ("Shenzhen Wanji"), whereby the Company (for itself and its subsidiaries) has been appointed as the exclusive distributor of Shenzhen Wanji's products, being a range of health supplement products as detailed in the Distributorship Agreement, on a worldwide basis, except for the mainland of The People's Republic of China (the "PRC"), for a fixed term of 10 years. Shenzhen Wanji is controlled by Mr. Chen Wei Dong, who is a brother of Ms. Chen Shini, the beneficial owner of Wealth Generator.

(b) Immediately following the completion of the shares subscription, Wealth Generator became interested in approximately 91.9% of the issued share capital of the Company and was therefore obliged under the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "Takeover Code") to make a mandatory unconditional cash offer to acquire all the issued shares other than those already owned or agreed to be acquired by Wealth Generator and its concert parties (as defined in the Takeover Code) (the "Offer"). On 28th October 2002, Wealth Generator received valid acceptances in respect of 392,831,884 issued ordinary shares of the Company under the Offer. Following the close of the Offer and taking into account of the acceptances of the Offer, Wealth Generator and its associates were interested in a total of 5,392,831,884 ordinary shares, representing approximately 99.1% of the issued shares of the Company.

In order to comply with the minimum public float requirement pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), YF Securities Company Limited, on behalf of Wealth Generator, placed an aggregate of 1,583,204,000 ordinary shares of the Company (the "Placement"), representing approximately 29.1% of the issued share capital of the Company, to 18 placees, being independent third parties not connected with the Company, the Directors, chief executive, the substantial Shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) which was completed on 7th November 2002. Immediately following the placement, Wealth Generator held 70% of the issued shares of the Company.

(c) On 14th July 2003, the Company changed its name from ehealthcareasia Limited to Wanji Pharmaceutical Holdings Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA") and have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 33	: Discontinuing operations
SSAP 34 (revised)	: Employee benefits

There are certain changes in the current year's presentation as a result of adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 33.

The adoption of SSAP 11 (revised) has no material effect on the Group's accounts and the effect of adoption of SSAP 34 (revised) is set out in note 2(j) below.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of their voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(i) Consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves. In prior years, the profit and loss accounts of foreign enterprises were translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the consolidated profit and loss accounts for current and prior years.

(c) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill on acquisitions that occurred on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not exceeding 20 years.

(ii) Impairment

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	33.33%
Furniture, fixtures and office equipment	15% – 20%
Computer equipment	33.33%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to the prevailing market prices less any further costs expected to be incurred in the process of disposal, on an individual property basis.

(f) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(j) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

In prior years, no provision was made for employee annual leave entitlements. The adoption of the revised SSAP 34 has necessitated a restatement of prior years' figures and has resulted in an increase of approximately HK$158,000 in the opening balances of accumulated losses as at 1st April 2001 and 2002, and a corresponding increase in current liabilities of approximately HK$158,000 has been reflected in the consolidated balance sheet at 31st March 2002.

The consolidated profit and loss account for the year ended 31st March 2002 has not been restated as the net movement of the provision for employee annual leave entitlements was immaterial.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(k) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Revenue recognition

Revenue from the provision of services, including healthcare transaction processing, healthcare solutions and telemarketing services are recognised when the relevant services are rendered.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

The Group is engaged in the business of distribution of medical equipment, provision of healthcare transaction processing and healthcare solutions in Hong Kong. The Group disposed of ground engineering and building construction operations, telemarketing service and healthcare transaction processing and related businesses in other Asia Pacific countries during the year ended 31st March 2002.

Capital expenditure represents additions to fixed assets.

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

During the year ended 31st March 2002, the Group terminated or disposed of its ground engineering and building construction operations, telemarketing services and healthcare transaction processing and related business in other Asia Pacific countries. Accordingly, these business segments are classified as discontinued operations for segment reporting purpose.

During the year ended 31st March 2003, the Group's only continuing business segment is the distribution of medical equipment and the provision of healthcare transaction processing and healthcare solutions in Hong Kong. Following the transactions in October 2002 as described in note 1, the Group's principal activity is the distribution of medical equipment.

(a) Turnover and revenues

Revenues recognised during the year are as follows:

	*Continuing operation		# Discontinued operations		Corporate revenues		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**20,739**	41,007	**–**	70,340	**–**	–	**20,739**	111,347
Other revenues	**2,745**	12,436	**–**	5,466	**–**	15,048	**2,745**	32,950
	23,484	53,443	**–**	75,806	**–**	15,048	**23,484**	144,297

3. TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information

(i) Profit and loss accounts

	*Continuing operation		# Discontinued operations		Corporate revenues/(expenses)		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**20,739**	41,007	**–**	70,340	**–**	–	**20,739**	111,347
Cost of sales	**(14,303)**	(33,766)	**–**	(74,151)	**–**	–	**(14,303)**	(107,917)
Gross profit/(loss)	**6,436**	7,241	**–**	(3,811)	**–**	–	**6,436**	3,430
Other revenues	**2,745**	12,436	**–**	5,466	**–**	15,048	**2,745**	32,950
General and administrative expenses	**(12,798)**	(71,402)	**–**	(17,555)	**(1,783)**	(5,582)	**(14,581)**	(94,539)
Net gain on disposals of subsidiaries	**–**	–	**–**	–	**–**	21,281	**–**	21,281
Impairment losses of intangible and fixed assets	**–**	(1,213)	**–**	(7,400)	**–**	(228,700)	**–**	(237,313)
Other operating expenses	**(499)**	(14,400)	**–**	–	**–**	–	**(499)**	(14,400)
Operating loss	**(4,116)**	(67,338)	**–**	(23,300)	**(1,783)**	(197,953)	**(5,899)**	(288,591)
Finance costs	**–**	–	**–**	–	**(2,123)**	(5,467)	**(2,123)**	(5,467)
Loss before taxation	**(4,116)**	(67,338)	**–**	(23,300)	**(3,906)**	(203,420)	**(8,022)**	(294,058)
Taxation	**–**	–	**–**	–	**–**	(378)	**–**	(378)
Loss after taxation	**(4,116)**	(67,338)	**–**	(23,300)	**(3,906)**	(203,798)	**(8,022)**	(294,436)
Minority interests	**–**	–	**–**	–	**–**	11,819	**–**	11,819
Loss attributable to shareholders	**(4,116)**	(67,338)	**–**	(23,300)	**(3,906)**	(191,979)	**(8,022)**	(282,617)

3. TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(ii) Assets and liabilities

	* Continuing operation		#Discontinued operations		Total	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Total assets	**42,707**	43,444	**–**	82	**42,707**	43,526
Total liabilities	**(21,081)**	(62,148)	**–**	(82)	**(21,081)**	(62,230)
Capital expenditure	**199**	559	**–**	6,756	**199**	7,315
Depreciation	**740**	5,742	**–**	5,735	**740**	11,477
Write down of properties for sale	**499**	–	**–**	–	**499**	–
(Gain)/loss on disposal of fixed assets	**(52)**	–	**–**	4,468	**(52)**	4,468
Provision for doubtful debts/bad debts written off	**–**	–	**–**	7,088	**–**	7,088

Except for the rental income of HK$486,000 for the year ended 31st March 2003 derived from the properties for sale located in the PRC with carrying values amounting to HK$8,573,000 as at 31st March 2003, all other operating results, assets and liabilities are located in Hong Kong. Accordingly, no other geographical segment information is presented.

* Continuing operation represents the distribution of medical equipment and the provision of healthcare transaction processing and healthcare solutions in Hong Kong.

\# Discontinued operations represent the ground engineering and building construction operations, telemarketing services and healthcare transaction processing and related businesses in other Asia Pacific countries.

4. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	Group	
	2003	2002
	HK$'000	HK$'000
Charging:		
Cost of sales:		
– Continuing operation	**14,303**	33,766
– Discontinued operations	**–**	74,151
Depreciation	**740**	11,477
Amortisation of intangible assets	**–**	2,844
Operating leases in respect of land and buildings	**374**	4,565
Staff costs (including directors' remuneration (note 9)):		
Salaries, wages, allowances and bonuses:		
– Continuing operation	**7,701**	44,994
– Discontinued operations	**–**	23,891
Pension costs – defined contribution plan (note):		
– Continuing operation	**276**	940
– Discontinued operations	**–**	1,063
Auditors' remuneration:		
Provision for the year	**230**	902
Overprovision in prior years	**(554)**	–
Exchange losses, net	**13**	1,115
Write down of properties for sale	**499**	–
Loss on disposal of fixed assets	**–**	4,468
Provision for doubtful debts/bad debts written off	**–**	7,088
Impairment losses on intangible and fixed assets	**–**	237,313
Crediting:		
Interest income	**92**	635
Rental income	**856**	542
Gain on disposal of fixed assets	**52**	–
Gain on early redemption of convertible note	**–**	14,400
Licence fee income from discontinued operations	**–**	10,000

Note:

At 31st March 2003, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2002: Nil).

5. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on:		
Bank loan and overdrafts wholly repayable within five years	**239**	561
Convertible note	**273**	526
Finance lease and hire purchase contracts	**5**	634
Loan from the former ultimate holding company	**1,606**	3,047
Other loan wholly repayable within five years	**–**	699
	2,123	5,467

6. TAXATION

No provision for profits tax has been made in the accounts as the Group did not have any estimated assessable profit for the year. Taxation charge in the last year represented the overseas profits tax calculated on the estimated assessable profit for that year at the rates of taxation prevailing in the countries in which the Group operated.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the year ended 31st March 2003 is dealt with in the accounts of the Company to the extent of HK$19,110,000 (2002: HK$1,255,577,000).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the year of HK$8,022,000 (2002: HK$282,617,000) and the weighted average of 2,880,681,336 (2002: 319,199,190) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31st March 2003 is not presented as the conversion of convertible note is anti-dilutive.

Diluted loss per share for the year ended 31st March 2002 was not presented as the exercise of share options and conversion of convertible note were anti-dilutive.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Fees		
Executive directors	**–**	–
Independent non-executive directors	**50**	–
	50	–
Other emoluments:		
Salaries, allowances and benefits in kind	**871**	4,000
Retirement benefits scheme contributions	**9**	12
Compensation for loss of office	**1,230**	–
	2,110	4,012
	2,160	4,012

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands		
Nil – HK$1,000,000	**13**	9
HK$1,500,001 – HK$2,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	1
	14	10

No directors waived or agreed to waive any emoluments during the years ended 31st March 2003 and 2002.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included one (2002: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2002: four) individuals during the year are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,432**	6,504
Retirement benefits scheme contributions	**32**	48
	2,464	6,552

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2003	2002
Emolument band		
Nil – HK$1,000,000	**3**	–
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**–**	1
	4	4

10. INTANGIBLE ASSET

	Goodwill
	HK$'000
Cost	
At 31st March 2002 and 2003	7,598
Accumulated amortisation and impairment losses	
At 31st March 2002 and 2003	(7,598)
Net book value	
At 31st March 2002 and 2003	–

11. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost					
At 1st April 2002	10,802	163	1,047	654	12,666
Additions	–	15	87	97	199
Disposals	–	–	(437)	–	(437)
At 31st March 2003	10,802	178	697	751	12,428
Accumulated depreciation					
At 1st April 2002	450	63	502	327	1,342
Charge for the year	258	58	147	277	740
Disposals	–	–	(408)	–	(408)
At 31st March 2003	708	121	241	604	1,674
Net book value					
At 31st March 2003	10,094	57	456	147	10,754
At 31st March 2002	10,352	100	545	327	11,324

The Group's leasehold land and buildings are situated in Hong Kong and are held on leases of over 50 years.

At 31st March 2003, certain of the Group's leasehold land and buildings with a net book value of HK$5,464,000 (2002: HK$5,760,000) were pledged to secure banking facilities granted to the Group (note 21).

12. INVESTMENTS IN SUBSIDIARIES

	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted shares, at cost	**2,371,904**	1,980,638
Amounts due from subsidiaries	**1,450**	377,274
	2,373,354	2,357,912
Provision for impairment losses	**(2,350,538)**	(2,332,804)
	22,816	25,108

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Particulars of issued share capital	Percentage of equity attributable to the Company 2003	2002	Principal activities
Ultronics Enterprise Limited	Hong Kong	11 Ordinary shares of HK$0.50 each 8,627,759 Deferred shares of HK$0.50 each	**100**	100	Distribution of medical equipment and supplies
Wanji (Hong Kong) Trading Limited	Hong Kong	100 Ordinary shares of HK$1 each	**100**	–	Distribution of healthcare and pharmaceutical products

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 as substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

13. PROPERTIES FOR SALE

The properties for sale are situated in the PRC. Certain of the Group's properties for sale with carrying amounts of HK$6,000,000 at 31st March 2003 (2002: HK$4,600,000) are leased to third parties under operating leases, further details of which are included in note 27(a) to the accounts.

At 31st March 2003, one of the Group's properties for sale with carrying amount of HK$900,000 (2002: HK$981,000) was pledged to secure a bank loan of the Group (note 21).

14. INVENTORIES

The Group's inventories of HK$423,000 (2002: HK$314,000) were stated at net realisable value as at 31st March 2003.

15. DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average general credit period of 30 to 90 days to its customers, except for certain well-established customers where the terms are extended beyond 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the Group's trade debtors at 31st March 2003, net of provisions, is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Current – 90 days	**1,868**	3,691	**–**	–
91 – 180 days	**8**	1,930	**–**	–
181 – 365 days	**43**	10	**–**	–
	1,919	5,631	**–**	–
Prepayments, deposits and other debtors	**1,929**	2,183	**564**	316
	3,848	7,814	**564**	316

16. CREDITORS, ACCRUED LIABILITIES AND DEPOSITS RECEIVED

An ageing analysis of the Group's trade creditors as at 31st March 2003 is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Current – 90 days	**892**	3,460	**–**	–
91 – 180 days	**7**	3,591	**–**	–
181 – 365 days	**202**	109	**–**	–
Over 365 days	**–**	300	**–**	–
	1,101	7,460	**–**	–
Accrued liabilities, deposits received and other creditors	**9,799**	14,406	**2,178**	1,836
	10,900	21,866	**2,178**	1,836

17. AMOUNTS DUE TO THE FORMER ULTIMATE HOLDING COMPANY, A FORMER FELLOW SUBSIDIARY AND THE ULTIMATE HOLDING COMPANY

The balances were unsecured, interest-free and had no fixed terms of repayment.

18. SHARE CAPITAL

	Note	No. of shares	HK$'000
Authorised:			
At 1st April 2001, ordinary shares of HK$0.10 each		3,000,000,000	300,000
Increase in authorised share capital	(a)	3,000,000,000	300,000
Share consolidation	(d)(ii)	(5,400,000,000)	–
Cancellation	(d)(iv)	(600,000,000)	(600,000)
Increase in authorised share capital	(d)(iv)	10,000,000,000	100,000
At 31st March 2003 and 2002, ordinary shares of HK$0.01 each		10,000,000,000	100,000
Issued and fully paid:			
At 1st April 2001, ordinary shares of HK$0.10 each		2,621,916,240	262,192
Issue of new shares	(b),(c)	326,918,240	32,692
Capital reduction	(d)(i)	–	(291,935)
Share consolidation	(d)(ii)	(2,653,951,032)	–
Rights issue	(e)	147,441,724	1,474
At 31st March 2002, ordinary shares of HK$0.01 each		442,325,172	4,423
Issue of new shares	(f)	5,000,000,000	50,000
At 31st March 2003, ordinary shares of HK$0.01 each		5,442,325,172	54,423

(a) Pursuant to an ordinary resolution passed on 3rd May 2001, the authorised share capital of the Company of HK$0.10 each was increased from HK$300,000,000 to HK$600,000,000 by the creation of 3,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the then existing share capital of the Company.

(b) On 30th May 2001, 320,000,000 new ordinary shares of the Company of HK$0.10 each, credited as fully paid at HK$0.25 per share, were issued to settle the consideration for the acquisition of certain assets and subsidiaries.

(c) On 7th September 2001, 6,918,240 additional new ordinary shares of the Company of HK$0.10 each, credited as fully paid at HK$0.50 per share, were issued to settle consideration for the acquisition of certain businesses and assets of subsidiaries.

18. SHARE CAPITAL (Continued)

(d) Pursuant to certain special and ordinary resolutions passed at a special general meeting of the Company held on 20th December 2001, a capital reorganisation (the "Capital reorganisation") involving, inter alia, the following was implemented:

(i) a reduction of nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.001 each by the cancellation of HK$0.099 of the paid-up capital for each issued share (the "Capital reduction"), and a transfer of the credit arising from the Capital reduction of approximately HK$291,935,000 to the contributed surplus account of the Company;

(ii) a share consolidation of every ten reduced shares of HK$0.001 each as set out in note (i) above into one consolidated share of HK$0.01 each (the "Share consolidation");

(iii) the cancellation of the entire amount standing to the credit of the share premium account of the Company and a transfer of the credit arising therefrom to the contributed surplus account of the Company (the "Cancellation and Tranfer");

(iv) the cancellation of the existing authorised and unissued share capital of the Company and a subsequent increase of the authorised share capital of the Company to HK$100,000,000 comprising 10,000,000,000 consolidated shares of HK$0.01 each, ranking pari passu in all respect with the existing share capital of the Company; and

(v) Contributed surplus of HK$2,297,643,000 was transferred to accumulated losses of the Company to partially reduce the accumulated losses of the Group.

(e) A rights issue of one rights share for every two existing shares held by members on the register of members on 27th December 2001 was made, at an issue price of HK$0.25 per rights issue, resulting in the issue of 147,441,724 new ordinary shares of the Company of HK$0.01 each for a total cash consideration before expenses, of HK$36,860,431 (the "Rights issue").

(f) Pursuant to ordinary resolutions passed on 8th August 2002, 5,000,000,000 ordinary shares were issued in connection with the acquisition of the Group by Wealth Generator as set out in note 1(a) to the accounts.

19. RESERVES

Group

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2001, as previously reported		1,954,941	–	(3,500)	(111,000)	2,123	(2,071,401)	(228,837)
Effect from the adoption of SSAP 34 (revised)	2(j)(i)	–	–	–	–	–	(158)	(158)
At 1st April 2001 as restated		1,954,941	–	(3,500)	(111,000)	2,123	(2,071,559)	(228,995)
Issue of shares for acquisition	18(b),(c)	50,767	–	–	–	–	–	50,767
Capital reduction	18(d)(i)	–	291,935	–	–	–	–	291,935
Cancellation and transfer	18(d)(iii)	(2,005,708)	2,005,708	–	–	–	–	–
Reduction of accumulated losses	18(d)(v)	–	(2,297,643)	–	–	–	2,297,643	–
Rights issue	18(e)	35,386	–	–	–	–	–	35,386
Share issue expenses		(1,914)	–	–	–	–	–	(1,914)
Released upon discontinuance of operations		–	–	3,500	470	(1,159)	–	2,811
Impairment of goodwill previously eliminated against consolidated reserves		–	–	–	110,530	–	–	110,530
Exchange realignments		–	–	–	–	(1,030)	–	(1,030)
Loss for the year		–	–	–	–	–	(282,617)	(282,617)
At 31st March 2002		33,472	–	–	–	(66)	(56,533)	(23,127)

	Note	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2002, as previously reported		33,472	(66)	(56,375)	(22,969)
Effect from the adoption of SSAP 34 (revised)	2(j)(i)	–	–	(158)	(158)
At 1st April 2002 as restated		33,472	(66)	(56,533)	(23,127)
Share issue expenses		(1,648)	–	–	(1,648)
Transfer to accumulated losses		–	66	(66)	–
Loss for the year		–	–	(8,022)	(8,022)
At 31st March 2003		31,824	–	(64,621)	(32,797)

19. RESERVES (Continued)

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2001		1,954,941	–	(1,088,080)	866,861
Issue of shares for acquisition	18(b),(c)	50,767	–	–	50,767
Capital reduction	18(d)(i)	–	291,935	–	291,935
Cancellation and transfer	18(d)(iii)	(2,005,708)	2,005,708	–	–
Reduction of accumulated losses	18(d)(v)	–	(2,297,643)	2,297,643	–
Rights issue	18(e)	35,386	–	–	35,386
Share issue expenses		(1,914)	–	–	(1,914)
Loss for the year		–	–	(1,255,577)	(1,255,577)
At 31st March 2002		33,472	–	(46,014)	(12,542)

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2002	33,472	–	(46,014)	(12,542)
Share issue expenses	(1,648)	–	–	(1,648)
Loss for the year	–	–	(19,110)	(19,110)
At 31st March 2003	31,824	–	(65,124)	(33,300)

20. SHARE OPTIONS

The Company operated a share option scheme (the "Scheme"), which entitles the holders of share options granted under the Scheme to subscribe for ordinary shares of the Company at any time during their exercisable periods. At the beginning of the year, there were 150,000 share options outstanding under the Scheme, which were lapsed during the year. No share option was outstanding as at 31st March 2003.

21. SECURED BANK LOAN AND OVERDRAFTS

	Group	
	2003	2002
	HK$'000	HK$'000
Secured bank loan and overdrafts wholly repayable within five years	**3,158**	3,819
Current portion	**(3,090)**	(3,616)
	68	203

At 31st March 2003, the Group's secured bank loan and overdrafts were repayable as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**3,090**	3,616
In the second year	**68**	135
In the third to fifth year	**–**	68
	3,158	3,819

The Group's bank loan and overdrafts at 31st March 2003 and 2002 were secured by a leasehold land and building (note 11) and a property for sale (note 13) of the Group.

22. LOAN FROM THE FORMER ULTIMATE HOLDING COMPANY

The loan from the former ultimate holding company was settled in full on 4th October 2002, partly by the utilisation of part of the proceeds from the shares subscription and partly by off-setting the principal amount of a convertible note issued by the Company to a subsidiary of the former ultimate holding company as set out in note 1(a).

23. CONVERTIBLE NOTE

The convertible note bears interest at Hong Kong dollar prime lending rate plus 3% per annum and will mature on the second anniversary from its date of issue. The convertible note is convertible on any business day following the 12 months after the date of issue and is redeemable at the maturity date.

24. DEFERRED TAXATION

	Group 2003 HK$'000	Group 2002 HK$'000
At beginning of year	–	13,440
Disposal of subsidiaries	–	(13,440)
At end of year	–	–

At 31st March 2003, the Group and the Company had no significant deferred tax which had not been recognised (2002: Nil).

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash used in operations

	Group 2003 HK$'000	Group 2002 HK$'000
Operating loss	(5,899)	(288,591)
Interest income	(92)	(635)
Depreciation and amortisation	740	14,321
(Gain)/loss on disposal of fixed assets	(52)	4,468
Write down of properties for sale	499	–
Net gain on disposal of subsidiaries	–	(21,281)
Gain on early redemption of convertible note	–	(14,400)
Provision for doubtful debts/bad debts written off	–	7,088
Impairment losses	–	237,313
Operating loss before working capital changes	(4,804)	(61,717)
Decrease/(increase) in inventories	1,538	(1,215)
Decrease in debtors, prepayments and deposits	4,036	7,073
Decrease in creditors, accrued liabilities and deposits received	(11,239)	(35,726)
Increase in amount due to the ultimate holding company	23	–
Decrease in amounts due to the former ultimate holding company and a former fellow subsidiary	(4,698)	(6,402)
Net cash used in operations	(15,144)	(97,987)

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Note	Issued capital (including share premium account) HK$'000	Convertible note HK$'000	Loan from the former ultimate holding company HK$'000	Bank and other borrowings HK$'000	Finance lease and hire purchase contract payables HK$'000	Minority interests HK$'000
Balance at 1st April 2001		2,217,133	–	42,900	68,670	41,602	92,015
Issue of new ordinary shares and convertible note for acquisition*	18(b),(c)	83,459	40,000	–	–	–	–
Gain on early redemption of convertible note		–	(14,400)	–	–	–	
Cancellation and transfer*	18(d)(iii)	(2,005,708)	–	–	–	–	–
Capital reduction*	18(d)(i)	(291,935)	–	–	–	–	–
Share of loss for the year		–	–	–	–	–	(11,819)
Disposal of subsidiaries		–	–	–	(22,912)	(36,922)	(80,196)
Exchange realignments		–	–	–	–	192	–
Cash inflow/(outflow) from financing activities, net		34,946	(25,600)	(11,100)	(45,420)	(4,825)	–
Balance as at 31st March 2002		37,895	–	31,800	338	47	–
Balance at 1st April 2002		37,895	–	31,800	338	47	–
Issue of convertible note for the repayment of loan from the former ultimate holding company*	1(a)	–	7,000	(7,000)	–	–	–
Cash inflow/(outflow) from financing activities, net		48,352	–	(24,800)	(135)	(47)	–
Balance as at 31st March 2003		86,247	7,000	–	203	–	–

* representing non-cash transactions

26. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**20,000**	20,000

At 31st March 2003, the banking facilities granted to a subsidiary which were secured by a corporate guarantee given by the Company were utilised to the extent of approximately HK$2,966,000 (2002: HK$3,481,000).

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold land and buildings (note 11) and properties held for sale (note 13) under operating lease arrangements, with lease terms ranging from one to three years.

As at 31st March 2003, the Group had future minimum lease receivables under non-cancellable operating lease as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**326**	530
In the second to fifth years, inclusive	**90**	230
	416	760

(b) As lessee

At 31st March 2003, the Group had commitments in respect of land and buildings under non-cancellable operating leases to make minimum payments as set out below:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**636**	309
In the second to fifth years, inclusive	**266**	–
	902	309

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these accounts, the Group had the following material transactions with related parties during the year:

	Note	Group 2003 HK$'000	Group 2002 HK$'000
Discontinued items:			
Interest charged by the former ultimate holding company	(b)	**1,606**	3,047
Amount charged by the former ultimate holding company for sharing of corporate expenses	(c)	**2,800**	8,400
Transaction processing fee charged to the former ultimate holding company and its subsidiaries	(d)	–	18,569
Construction work carried out for the former related companies	(d)	–	2,582
Proceeds received on disposal/partial disposal of a subsidiary to a former related company	(d)	–	88,000
Licence fee charged to the former ultimate holding company	(d)	–	10,000
Disposal of fixed assets to the former ultimate holding company, its subsidiaries and its related companies ("QHA Group")	(d)	–	1,000

(a) All the above transactions have been discontinued after the completion of the transactions as set out in note 1.

(b) The interest expenses charged by the former ultimate holding company arose from an unsecured revolving term loan from the former ultimate holding company, details of which is set out in note 22.

(c) The amount charged was mutually agreed between the Group and the former ultimate holding company with reference to the corporate expenses incurred.

(d) These were transactions entered into between the Group and QHA Group which were all discontinued in the year ended 31st March 2002. These transactions were based on terms as set out in agreements between the Group and QHA Group.

29. SUBSEQUENT EVENTS

On 22nd July 2003, Wanji (BVI) Limited ("Wanji BVI"), a wholly-owned subsidiary of the Company, entered into an equity joint venture agreement ("Agreement") with 江西國藥有限責任公司 ("Guo Yao"), a company incorporated in the PRC with principal activities comprising the manufacturing and sale of Chinese medicines and healthcare products in the PRC, to establish a sino-foreign equity joint venture, namely 江西金水康製藥有限公司(Jiangxi Jinshuikang Medicine Co. Ltd.) ("Jinshuikang"). Pursuant to the Agreement, Wanji BVI agreed to invest a sum of RMB10.5 million to Jinshuikang in cash, whilst Guo Yao agreed to inject its business of manufacturing and sale of medicines including machinery, office equipment and inventories, etc., representing a consideration of RMB5 million. Upon the completion of the formation of Jinshuikang, the shareholding of Jinshuikang will be held as to about 67.7% by Wanji BVI and about 32.3% by Guo Yao. Jinshuikang will be principally engaged in manufacturing and sale of medicines and healthcare products in the PRC including healthcare products for liver and kidney. The Group's capital injection of RMB10.5 million (equivalent to approximately HK$9.9 million) will be funded by the Group's internal resources.

30. ULTIMATE HOLDING COMPANY

The directors regard Wealth Generator Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company.

31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd July 2003.