

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004***1. BASIS OF PRESENTATION**

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment 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 31 March 2004.

**3. SEGMENT INFORMATION**

For management purpose, the Group is currently organized into three operating divisions – (i) investment holding, (ii) medical, pharmaceutical and healthcare business which was acquired during the period, and (iii) business of sourcing and distribution of electronic parts and components which was ceased since 1 November 2004. In order to repositioning of the Group's focus on the PRC healthcare sector, the group disposed of its entire equity interest in its electronic parts and components manufacturing business in February 2004.

The Group's operations are principally located in Hong Kong and other regions of the People's Republic of China ("PRC"). An analysis of the Group's revenue and segment results by business and geographical segments is as follows:

### Business segments

	Continuing operations		Discontinued operations		Consolidated (Unaudited) HK\$'000
	Investment holding (Unaudited) HK\$'000	Medical, pharmaceutical and healthcare business (Unaudited) HK\$'000	Sourcing and distribution of electronic parts and components (Unaudited) HK\$'000	Manufacturing of electronic parts and components (Unaudited) HK\$'000	
<b>Income statement</b>					
For the six months ended 30 September 2004					
Segment revenue	-	2,101	26,718	-	28,819
Segment results	(796)	946	(12,360)	-	(12,210)
Other operating income					79
Unallocated corporate expenses					(13,604)
Loss from operations					(25,735)
Finance costs					(372)
Loss before taxation					(26,107)

	Continuing operations		Discontinued operations		Consolidated (Unaudited) HK\$'000
	Investment holding (Unaudited) HK\$'000	Medical, pharmaceutical and healthcare business (Unaudited) HK\$'000	Sourcing and distribution of electronic parts and components (Unaudited) HK\$'000	Manufacturing of electronic parts and components (Unaudited) HK\$'000	
For the six months ended 30 September 2003					
Segment revenue	-	-	11,367	121,861	133,228
Segment results	(2,713)	-	(788)	(7,765)	(11,266)
Other operating income					212
Unallocated corporate expenses					(7,937)
Loss from operations					(18,991)
Finance costs					(1,257)
Loss before taxation					(20,248)

### Geographical segments

	Turnover by geographical market For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Hong Kong and PRC	28,239	110,102
Other Asian countries	580	21,467
United States of America	-	113
Europe and others	-	1,546
	28,819	133,228

#### 4. LOSS FROM OPERATIONS

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

	For the six months ended 30 September	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Allowance for loan receivables	–	598
Amortisation of intangible assets	47	–
Depreciation of plant and equipment	602	1,022
Loss on disposal of other investments	–	293
Gain on disposal of plant and equipment	–	(127)
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#### 5. FINANCE COSTS

	For the six months ended 30 September	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Interest on:		
Bank loans, overdrafts and other borrowings		
wholly repayable within five years	21	314
Bonds	–	354
Convertible bonds	350	387
Promissory notes	–	73
Obligations under finance leases	1	129
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	372	1,257
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#### 6. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits during the period (2003: Nil).

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

## 7. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend (2003: Nil).

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	<b>For the six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net loss for the period attributable to shareholders and loss for the purposes of basic loss per share	<b>(25,636)</b>	(20,248)
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>213,988</b>	110,751

No diluted loss per share have been presented for the six months ended 30 September 2004 and 2003 as there are no dilutive potential ordinary shares in issue for both periods and the exercise of the Company's outstanding convertible bonds and options are not assumed since their exercise would decrease the loss per share.

## 9. PLANT AND EQUIPMENT

	<b>Total</b>
	<b>HK\$'000</b>
Net book value at 1 April 2004	642
Additions	587
Acquired on acquisition of subsidiaries	2,375
Depreciation provided for the period	(602)
<b>Net book value at 30 September 2004</b>	<b>3,002</b>

**10. GOODWILL**

	<b>Total</b> <i>HK\$'000</i>
Net book value at 1 April 2004	13,289
Additions arising on acquisition of subsidiaries	35,212
Amortisation provided for the period	(796)
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<b>Net book value at 30 September 2004</b>	<b>47,705</b>

**11. LOAN RECEIVABLES**

	<b>At 30</b> <b>September</b> <b>2004</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 31 March 2004 (Audited) <i>HK\$'000</i>
Secured term loans	<b>21,026</b>	21,026
Unsecured term loans	–	400
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	<b>21,026</b>	21,426
Less: Amount due within one year shown under current assets	<b>(21,026)</b>	(21,426)
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Amount due after one year	–	–

- (a) The secured term loans as at 30 September 2004 represents the loan of US\$2.7 million (equivalent to HK\$21,026,000) secured by the borrower's investments in Hamilton Apex Technology Venture, L.P. (the "Partnership"), a Delaware Limited Partnership formed in California. The loan bears interest at 2% over Hong Kong prime rates and is originally repayable in one lump sum on 29 September 2004. On 29 September 2004, the Group has agreed to extend the maturity date by one year to 29 September 2005.
- (b) The unsecured term loans advanced to a corporate shareholder as at 31 March 2004 totalling HK\$400,000 bear interest at 3% per annum. HK\$200,000 is repayable on or before 28 December 2004 and another HK\$200,000 is repayable on or before 14 March 2005. All of the unsecured term loans were settled during the period.

**12. TRADE RECEIVABLES**

The Group allows a credit period of 60 to 90 days to its customers. The aged analysis of the Group is as follows:

	At 30 September 2004		At 31 March 2004	
	Balance (Unaudited) <i>HK\$'000</i>	Percentage (Unaudited)	Balance (Audited) <i>HK\$'000</i>	Percentage (Audited)
Current	1,658	18	4,799	31
Overdue 1 – 30 days	2,562	28	9,370	61
Overdue 31 – 60 days	3,472	39	715	4
Overdue 61 – 90 days	456	5	478	3
Overdue over 90 days	927	10	44	1
<b>Total</b>	<b>9,075</b>	<b>100</b>	<b>15,406</b>	<b>100</b>

**13. TRADE PAYABLES**

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

	At 30 September 2004		At 31 March 2004	
	Balance (Unaudited) <i>HK\$'000</i>	Percentage (Unaudited)	Balance (Audited) <i>HK\$'000</i>	Percentage (Audited)
Current to overdue 30 days	6,069	92	2,912	71
Overdue 31 – 60 days	184	3	795	19
Overdue 61 – 90 days	2	1	157	4
Overdue over 90 days	313	4	252	6
<b>Total</b>	<b>6,568</b>	<b>100</b>	<b>4,116</b>	<b>100</b>

**14. OTHER BORROWINGS**

The amount of other borrowings represents a bank loans of RMB2,000,000 (equivalent to HK\$1,887,000) which was obtained by a newly acquired subsidiary of the Group before the date of acquisition. The loans bear interest at prevailing market rates and were used to finance general operation of this subsidiary, which are repayable in 8 March 2005.

**15. CONVERTIBLE BONDS**

	<b>Convertible Bonds due on 27 June 2005 (the “CB1”) <i>HK\$’000</i></b>	<b>Convertible Bonds due on 6 November 2005 (the “CB2”) <i>HK\$’000</i></b>	<b>Total <i>HK\$’000</i></b>
At 1 April 2004	20,000	460	20,460
Converted during the period	(2,700)	(460)	(3,160)
<b>At 30 September 2004</b>	<b>17,300</b>	<b>–</b>	<b>17,300</b>

The CB1 carry interest at 3% per annum payable monthly in arrears with the first interest payment due on 31 July 2003 and the last interest payment due on 27 June 2005. Each CB1 entitles the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$1.0 per share during the period from 27 June 2003 to 27 June 2005. In addition, if the CB1 remain outstanding on the maturity date, the Company will redeem the principal of the CB1 at 100% of their face value at any time on or prior to the maturity date at its discretion. During the period, certain holders have converted HK\$2,700,000 CB1 into 2,700,000 shares of HK\$0.1 per share in the Company with the creation of HK\$2,430,000 share premium.

The CB2 carry interest at 6% per annum payable semi-annually in arrears with the first interest payment due on 30 June 2003 and the last interest payment due on 6 November 2005. Each CB2 entitles the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$0.1 per share during the period from 28 November 2002 to 6 November 2005. In addition, if the CB2 remain outstanding on the maturity date, the Company will redeem the principal of the CB2 at 100% of face value of the bonds. During the period, the outstanding CB2 has been fully converted into 4,600,000 shares of HK\$0.1 per share in the Company.



## 16. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.1 each	5,000,000,000	500,000
Non-voting preference shares of HK\$10.0 each	100,000,000	1,000,000
<b>At 31 March 2004 and 30 September 2004</b>		<b>1,500,000</b>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.1 each		
At 1 April 2004	199,767,577	19,977
Issue of shares by private placement	10,000,000	1,000
Issue of shares upon conversion of convertible bonds	7,300,000	730
<b>At 30 September 2004</b>	<b>217,067,577</b>	<b>21,707</b>

## 17. ACQUISITION OF SUBSIDIARIES

On 11 June 2004, the Group completed the acquisition of the entire issued share capital of Junghua Enterprises Holdings Limited ("JEHL") for a cash consideration of HK\$30,000,000 as disclosed in the annual report 2004. JEHL is an investment holding company that holds 89.09% equity interest in China Healthcare Services Investment Limited which in turn holds 70% equity interest in Beijing Universal Medical Assistance Co., Ltd ("BUMA").

On 1 July 2004, the Group completed the acquisition of the entire issued share capital of West Regent Property Limited ("WR") which in turn indirectly owns 51% equity interest in Shanghai Haoyuan Biotech Co., Limited ("Shanghai Haoyuan") for a total consideration of HK\$26,500,000 pursuant to the conditional sale and purchase agreement dated 30 March 2004 as disclosed in the annual report 2004. The balance of the total consideration was settled by the cash payment of HK\$20,000,000 during the period.

Both of these transactions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<b>WR group</b> <i>HK\$'000</i>	<b>JEHL group</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net assets acquired	8,302	12,986	21,288
Goodwill arising on acquisition	18,198	17,014	35,212
	<hr/> 26,500	<hr/> 30,000	<hr/> 56,500

*Satisfied by:*

Cash consideration	20,000	30,000	50,000
Non-cash consideration	6,500	–	6,500
	<hr/> 26,500	<hr/> 30,000	<hr/> 56,500

*Net cash outflow arising on acquisition:*

Cash paid on acquisition	(20,000)	(30,000)	(50,000)
Bank balances and cash acquired	2,064	127	2,191
	<hr/> (17,936)	<hr/> (29,873)	<hr/> (47,809)

The subsidiaries acquired during the period have contributed approximately HK\$2,101,000 to the Group's turnover and HK\$833,000 to the Group's loss after tax.

## 18. POST BALANCE SHEET EVENTS

On 29 October 2004, the Company has entered into a joint venture agreement with Ye Medical Group. Pursuant to the agreement, both parties of said Joint Venture (the "JV") agreed that the two clinics for the JV will be established in Beijing and Shanghai. The current intention of total investment in the Beijing Clinic is RMB8 million while Shanghai Clinic is RMB20 million. The Company only committed to contribute a half of the expenses for formation of the JV company and provide initial funds, which is not significant, to set up the Beijing Clinic. However, the amount and timing of future funding to clinics are still subject to mutual agreement by both parties in the future.