

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited.

During the year, the Group was principally engaged in sourcing and distribution of electronic parts and components, producing and trading of biotechnology products, provision for medical consultancy and agency services and investment holding. In November 2004, the Group ceased its business of sourcing and distribution of electronic parts and components as set out in note 6.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effect for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. The continuation of the Group's business depends upon future profitable operation of the Group and the success of obtaining additional outside financing to meet its future working capital and financial requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

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

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 impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Goodwill

Goodwill arising on acquisition represents the excess of the cost of investments over the Group's interest in the fair value of identifiable net assets of subsidiaries and associates when acquired, and is amortised on a straight line basis over its economic useful life.

(c) Associate

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significance influence is exercised in its management.

The Group's investments in associates include the Group's share of the net assets of the associates (plus the premium paid/less any discount on acquisition in so far as it has not already been written off or amortised). The Group's share of post-acquisition profits or losses of associates is included in the consolidated income statement.

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

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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 debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less impairment losses, if any. The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement. The reduction is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are carried at fair value. At each balance sheet date the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Such impairment losses are recognised as an expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses and are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost was calculated using the first-in-first-out basis in prior year for inventories under the discontinued operation. In the current year, cost is calculated on weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

(i) Finance leases

Leases where substantially transfer to the Group and the Company all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At inception finance lease is capitalised at the lower of the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the income statement in proportion to the capital balances outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) 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. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term.

(k) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Gains and losses resulting from this translation policy are recognised in the income statement.

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 expenses in the period in which the operations is disposed of.

(l) Employee benefits

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses in the income statement as incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group and the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(o) Revenue recognition

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

Revenue from the provision of services is recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is accrued on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its economic useful life.

Where no internally-generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(r) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

5. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions – producing and trading of biotechnology products, provision for medical consultancy and agency services and investment holding and its business of sourcing and distribution of electronic parts and components was discontinued during the year as set out in note 6. These divisions are the basis on which the Group reports its primary segment information.

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

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS

An analysis of the Group's revenue, results, certain asset, liability and expenditure information by business segments is as follows:

Consolidated income statement

For the year ended 31 March 2005

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Producing and trading of biotechnology products HK\$'000	Provision for medical consultancy and agency services HK\$'000	Investment holding HK\$'000	Sourcing and distribution of electronic parts and components HK\$'000	
Segment revenue	7,081	365	-	27,317	34,763
Segment results	(1,564)	(4,836)	(11,327)	(12,390)	(30,117)
Other operating income					92
Unallocated corporate expenses					(23,032)
Loss from operations					(53,057)
Finance costs					(704)
Loss before taxation					(53,761)
Taxation					-
Loss before minority interest					(53,761)
Minority interest					1,847
Loss for the year					(51,914)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

Consolidated income statement (cont'd)

For the year ended 31 March 2004

	Continuing	Discontinued operations		Consolidated
	operations	Sourcing and distribution of electronic parts and components	Manufacturing of electronic parts and components	
	Investment holding HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	—	93,753	129,044	222,797
Segment results	(21,923)	(11,196)	(9,210)	(42,329)
Other operating income				140
Unallocated corporate expenses				(28,123)
Gain on disposal of discontinued operations				14,923
Gain on disposal of subsidiaries				5,676
Loss from operations				(49,713)
Finance costs				(2,523)
Loss before taxation				(52,236)
Taxation				—
Loss before minority interest				(52,236)
Minority interest				189
Loss for the year				(52,047)

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

Consolidated balance sheet

For the year ended 31 March 2005

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Producing and trading of biotechnology products HK\$'000	Provision for medical consultancy and agency services HK\$'000	Investment holding HK\$'000	Sourcing and distribution of electronic parts and components HK\$'000	
ASSETS					
Segment assets	9,597	5,206	61,564	-	76,367
Unallocated corporate assets					71,610
Consolidated total assets					<u>147,977</u>
LIABILITIES					
Segment liabilities	1,328	896	-	-	2,224
Unallocated corporate liabilities					30,519
Consolidated total liabilities					<u>32,743</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

Consolidated balance sheet (cont'd)

For the year ended 31 March 2004

	Continuing	Discontinued operations		Consolidated
	operations	Sourcing and distribution of electronic parts and components	Manufacturing of electronic parts and components	
	Investment holding <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Segment assets	43,073	17,620	–	60,693
Unallocated corporate assets				97,635
				<u>158,328</u>
LIABILITIES				
Segment liabilities	3,000	4,116	–	7,116
Unallocated corporate liabilities				28,597
				<u>35,713</u>

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

Other information

For the year ended 31 March 2005

	Continuing operations			Discontinued operations	Unallocated corporate assets	Consolidated
	Producing and trading of biotechnology products	Provision for medical consultancy and agency services	Investment holding	Sourcing and distribution of electronic parts and components		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to property, plant and equipment	1,495	5,807	-	-	477	7,779
Additions to intangible assets	1,415	-	35,517	-	-	36,932
Provision for doubtful debts	792	-	-	-	-	792
Impairment losses recognised in respect of investments in securities	-	-	695	-	-	695
Impairment losses of goodwill	-	-	7,192	-	-	7,192
Amortisation of intangible assets	142	-	3,440	-	-	3,582
Depreciation	386	188	-	1	523	1,098

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

5. SEGMENTAL INFORMATION (CONT'D)

BUSINESS SEGMENTS (CONT'D)

Other information (cont'd)

For the year ended 31 March 2004

	Continuing	Discontinued operations			Consolidated
	operations	Sourcing and distribution of electronic parts and components	Manufacturing of electronic parts and components	Unallocated corporate assets	
	Investment holding HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to property, plant and equipment	-	10	-	112	122
Additions to intangible assets	14,880	-	-	-	14,880
Provision for doubtful debts	5,598	-	-	5,000	10,598
Provision for obsolete inventories	-	1,498	-	-	1,498
Impairment losses recognised in respect of investments in securities	8,053	-	-	-	8,053
Amortisation of intangible assets	1,591	-	-	-	1,591
Depreciation	-	2	556	1,164	1,722

5. SEGMENTAL INFORMATION (CONT'D)

GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods and services:

	Turnover	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and PRC	34,183	187,959
Other Asian countries	580	31,481
United States of America	–	159
Europe and others	–	3,198
	34,763	222,797

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and PRC	146,415	152,828	44,711	15,002
Other Asian countries	229	4,167	–	–
United States of America	1,333	1,333	–	–
	147,977	158,328	44,711	15,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

6. DISCONTINUED OPERATIONS

In November 2004, the Group ceased its business of sourcing and distribution of electronic parts and components.

The results of the Group's sourcing and distribution electronic parts and components business for the period from 1 April 2004 to 31 October 2004 which have been included in the consolidated financial statements are as follows:

	Period ended 31/10/2004 <i>HK\$'000</i>	Year ended 31/03/2004 <i>HK\$'000</i>
Turnover	27,317	93,753
Cost of sales	<u>(36,056)</u>	<u>(100,092)</u>
Gross loss	(8,739)	(6,339)
Administrative expenses	<u>(3,651)</u>	<u>(4,857)</u>
Loss before taxation	(12,390)	(11,196)
Taxation	<u>–</u>	<u>–</u>
Net loss from ordinary activities attributable to shareholders	<u><u>(12,390)</u></u>	<u><u>(11,196)</u></u>

The carrying amounts of Group's assets and liabilities relating to the sourcing and distribution of electronic parts and components business as at 31 October 2004 and 31 March 2004 are as follows:

	31/10/2004 <i>HK\$'000</i>	31/03/2004 <i>HK\$'000</i>
Total assets	–	17,620
Total liabilities	<u>(100)</u>	<u>(4,116)</u>
Net (liabilities)/assets	<u><u>(100)</u></u>	<u><u>13,504</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

6. DISCONTINUED OPERATIONS (CONT'D)

The net cash flows attributable to the Group's sourcing and distribution of electronic parts and components business for the current and previous periods included in the consolidated cash flow statements are as follows:

	Period ended 31/10/2004 HK\$'000	Year ended 31/03/2004 HK\$'000
Operating activities	1,207	(26,007)
Investing activities	8	(10)
	<hr/>	<hr/>
Net cash inflows/(outflows)	<u>1,215</u>	<u>(26,017)</u>

7. REVENUE AND TURNOVER

	2005 HK\$'000	2004 HK\$'000
Turnover		
Sales of goods	34,398	222,797
Service income	365	-
	<u>34,763</u>	<u>222,797</u>
Other operating income		
Interest income on bank deposits	92	81
Sundry income	-	59
	<u>92</u>	<u>140</u>
Total revenue	<u><u>34,855</u></u>	<u><u>222,937</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

8. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Auditors' remuneration		
Current year	630	700
Underprovision in prior years	180	540
	810	1,240
Depreciation		
Owned assets	1,098	1,107
Assets held under finance leases	-	615
	1,098	1,722
Exchange losses	18	285
Loss on disposal of property, plant and equipment	118	442
Operating lease payments in respect of:		
Land and buildings	1,347	2,922
Motor vehicles	-	230
	1,347	3,152
Provision for obsolete inventories	-	1,498
Staff costs:		
Staff costs (including directors' emoluments)	14,964	27,423
Contributions to retirement benefit scheme	141	386
	15,105	27,809

9. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	73	38
Bonds	-	461
Convertible bonds	630	382
Obligations under finance leases	1	202
Other borrowings wholly repayable within five years	-	344
Promissory note	-	1,096
	704	2,523

10. DIRECTORS' EMOLUMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees	–	–
Other emoluments		
Salaries and other benefits		
– current year	6,892	7,543
– underprovision in prior years	1,350	1,623
Contributions to retirement benefit scheme	42	36
	8,284	9,202

No directors' fees are payable to independent non-executive directors in both years.

The emoluments of the directors for the current year were within the following bands:

	2005 Number of directors	2004 Number of directors
Nil – HK\$1,000,000	6	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$2,500,001 – HK\$3,000,000	1	–
	9	6

The under-provided directors' emoluments in respect of prior years amounting to HK\$1,350,000 (2004: HK\$1,623,000) have not been considered in the above disclosure of the directors' current year emoluments within the bands and the comparative figures have not been revised to reflect the underprovision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, four (2004: four) were directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining individual in 2004 and 2005 were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	880	822
Contributions to retirement benefit scheme	12	5
	<u>892</u>	<u>827</u>

During the both years, 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 or as compensation for loss in office. In addition, during the both years, no director waived any emoluments.

12. TAXATION

- (a) No provision for Hong Kong Profits Tax and overseas tax has been made in the financial statements as the Group has no assessable profit for the year.
- (b) The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before taxation	<u>(53,761)</u>	<u>(52,236)</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	(9,408)	(9,141)
Tax effect of income that is not taxable in determining taxable profit	(12)	(3,666)
Tax effect of expenses that are not deductible in determining taxable profit	6,369	10,882
Tax effect of tax losses not recognised due to uncertainty on future profit streams	3,688	1,757
Tax effect of difference on depreciation between tax and accounting purposes	66	168
Effect of different tax rates operating in other jurisdiction	<u>(703)</u>	<u>-</u>
Taxation charge	<u>-</u>	<u>-</u>

13. LOSS PER SHARE

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net loss from ordinary activities attributable to shareholders	<u>(51,914)</u>	<u>(52,047)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>215,523,741</u>	<u>142,057,905</u>

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
Cost					
At 1 April 2004	–	–	592	1,888	2,480
Additions	3,950	394	1,307	–	5,651
Disposals/write off	–	(147)	(643)	(458)	(1,248)
Acquired on acquisition of subsidiaries	55	853	1,060	160	2,128
At 31 March 2005	<u>4,005</u>	<u>1,100</u>	<u>2,316</u>	<u>1,590</u>	<u>9,011</u>
Accumulated depreciation					
At 1 April 2004	–	–	280	1,558	1,838
Provided for the year	106	244	368	380	1,098
Elimination on disposals/write off	–	(107)	(250)	(458)	(815)
At 31 March 2005	<u>106</u>	<u>137</u>	<u>398</u>	<u>1,480</u>	<u>2,121</u>
Net book value					
At 31 March 2005	<u>3,899</u>	<u>963</u>	<u>1,918</u>	<u>110</u>	<u>6,890</u>
At 31 March 2004	<u>–</u>	<u>–</u>	<u>312</u>	<u>330</u>	<u>642</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
Cost			
At 1 April 2004 and 31 March 2005	93	1,430	1,523
Accumulated depreciation			
At 1 April 2004	52	1,180	1,232
Provided for the year	19	250	269
At 31 March 2005	71	1,430	1,501
Net book value			
At 31 March 2005	22	–	22
At 31 March 2004	41	250	291

At 31 March 2005, the net book value of motor vehicle held under finance leases by the Group and the Company amounted to HK\$Nil (2004: HK\$250,000).

15. INTANGIBLE ASSETS

	Patent <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
Cost			
At 1 April 2004	–	14,880	14,880
Arising on acquisition of subsidiaries	1,415	35,517	36,932
	<hr/>	<hr/>	<hr/>
At 31 March 2005	1,415	50,397	51,812
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment losses			
At 1 April 2004	–	1,591	1,591
Amortisation provided for the year	141	3,441	3,582
Impairment losses provided for the year	–	7,192	7,192
	<hr/>	<hr/>	<hr/>
At 31 March 2005	141	12,224	12,365
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2005	1,274	38,173	39,447
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	–	13,289	13,289
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Patent is amortised over 10 years and goodwill are amortised over 5 to 19 years.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted investment, at cost	19	19
Amounts due from subsidiaries	262,612	200,968
	<hr/>	<hr/>
	262,631	200,987
Impairment losses	(19)	(19)
Provision for non-recovery	(245,978)	(150,453)
	<hr/>	<hr/>
	16,634	50,515
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months and accordingly, the amounts are shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries of the Company as at 31 March 2005 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Percentage of interest in ownership		Principal activities
			Directly	Indirectly	
Card Symbols Limited	British Virgin Islands/Hong Kong	US\$1	-	100%	Investment holding
Fullway Technology Limited	British Virgin Islands/Hong Kong	US\$1,000	-	51.67%	Investment holding
TechCap BioTech Holdings Limited	British Virgin Islands/Hong Kong	US\$1,000	100%	-	Investment holding
TechCap Electronics Limited	Hong Kong	HK\$2	-	100%	Dormant
TechCap Holdings (Hong Kong) Limited	Hong Kong	HK\$10,000	100%	-	Investment holding
West Regent Property Limited	British Virgin Islands/Hong Kong	US\$1	-	100%	Investment holding
Power Ability Limited	British Virgin Islands/Hong Kong	US\$10,000	-	51%	Investment holding and trading of medical equipments
Shanghai Haoyuan Biotech Company Limited ("SHB")	PRC	RMB8,090,970	-	100%	Developing, producing and marketing NAT clinical reagents and medical equipments
Junghua Enterprises Holdings Limited	British Virgin Islands/Hong Kong	US\$1	-	100%	Investment holding
China Healthcare Services Investment Limited	British Virgin Islands/Hong Kong	US\$137,500	-	89.09%	Investment holding

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries of the Company as at 31 March 2005 are as follows: (cont'd)

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Percentage of interest in ownership		Principal activities
			Directly	Indirectly	
Beijing Universal Medical Assistance Company Limited ("BUMA")	PRC	RMB3,000,000	–	70%	Providing exclusive nationwide medical assistance services
Shanghai Weichang Investment Management & Consulting Company Limited ("SWI")	PRC	US\$350,000	100%	–	Investment management and consultancy services
China Medicare Limited	Hong Kong	HK\$1,000,000	–	100%	Investment holding and medicare
China Clinical Trials Centre Limited	British Virgin Islands/Hong Kong	US\$100	–	100%	Clinical trials of drugs and devices
CHC Investment Holdings Limited (Formerly known as TechCap Investment Holdings Limited)	British Virgin Islands/Hong Kong	US\$100	100%	–	Investment holding
Wisdom Profit Investment Limited	Hong Kong	HK\$10,000	–	100%	Investment holding and money lending
Young Honest Limited	Hong Kong	HK\$10,000	–	100%	Dormant

SHB and SWI are wholly owned foreign enterprises and BUMA is a sino-foreign equity joint venture.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	<u>1</u>	<u>1</u>

Particulars of the associate of the Group as at 31 March 2005 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Class of shares held	Percentage of interest		Principal activities
				Directly	Indirectly	
				Moment Touch Management Limited	British Virgin Islands/ Hong Kong	

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:				
Unlisted investments	31,336	31,336	9,000	9,000
Impairment losses	(8,748)	(8,053)	(7,667)	(7,667)
	<u>22,588</u>	<u>23,283</u>	<u>1,333</u>	<u>1,333</u>

18. INVESTMENTS IN SECURITIES (CONT'D)

Included in the Group's unlisted investments as at 31 March 2005 is an investment in Hamilton Apex Technology Ventures, L.P. (the "Partnership"), a Delaware Limited Partnership formed in California, amounting to US\$2.7 million (equivalent to HK\$21,026,000) (2004: HK\$21,026,000). The Partnership is licensed under the Small Business Investment Act of 1958, as amended, as a Small Business Investment Company for the purpose of investing in debt or equity securities of companies in United States of America. The Group committed to contribute additional capital of US\$12.3 million (equivalent to HK\$95,940,000) to the Partnership upon the request by the general partners of the Partnership. However, the Group failed to meet capital calls and the general partners declared that the Group was in default. Under the Partnership Agreement, the general partners have the right to seek replacement investors until the Group's investments are fully replaced and forfeited. The general partners had taken action to transfer a portion of the Group's investment in the Partnership with a capital value of HK\$639,000 (equivalent to US\$82,000) to other investors without paying any consideration to the Group and another portion of capital contribution to the Partnership with capital value of HK\$7,371,000 (equivalent to US\$945,000) to another investor procured by the Group at a consideration to be received upon the liquidation of the Partnership, which is determined by the lesser of (i) the attributable portion of proceeds generated from the transferred portion of its investment in the Partnership upon liquidation; and (ii) HK\$7,371,000 (equivalent to US\$945,000) plus an annual interest of 8% accruing from date of transfer.

The directors consider that the Group's investment position in the Partnership is and will be basically preserved and the Group's investment position in the Partnership will generate positive return in the future, which will compensate for the dilution of the Group's interest in the Partnership as mentioned above. Accordingly, the directors determined that the recoverable amount of the investment in the Partnership will not be less than the carrying amount of HK\$21,026,000 and no disposal nor impairment loss has been recognised in respect of the investment in the Partnership.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

19. LOAN RECEIVABLES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Secured term loans	21,026	21,026
Unsecured term loans	–	400
	<u>21,026</u>	<u>21,426</u>

The secured term loan as at 31 March 2005 amounting to HK\$21,026,000 (2004: HK\$21,026,000) bears interest at 2% over Hong Kong prime rates and is repayable on 29 September 2005. The loan is secured by the borrower's investments in the Partnership (see note 18 above). However, the borrower had failed to meet the capital calls and the general partners also declared that the borrower was in default. Under the Partnership Agreement, the general partners have the right to seek replacement investors until the borrower's investments are fully replaced and forfeited. The general partners had taken action to transfer a portion of the borrower's investment in the Partnership with a capital value of HK\$639,000 (equivalent to US\$82,000) to other investors without paying any consideration to the borrower and another portion of the capital contribution to the Partnership with a capital value of HK\$7,371,000 (equivalent to US\$945,000) to another investor procured by the borrower at a consideration to be received upon the liquidation of the Partnership, which determined by the lesser of (i) the attributable portion of proceeds generated from the transferred portion of its investment in the Partnership upon liquidation; and (ii) HK\$7,371,000 (equivalent to US\$945,000) plus an annual interest of 8% accruing from date of transfer.

The directors consider that the borrower's investment position in the Partnership is and will be basically preserved and the borrower's investment position in the Partnership will generate a positive return in the future, which will compensate for the dilution of the borrower's interest in the Partnership mentioned above. Accordingly, the directors determined that the recoverable amount of the loan receivable will not be less than the carrying amount of HK\$21,026,000 and no provision for the loan receivable has been made in the financial statements.

20. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	1,311	–
Finished goods	2,045	2,206
	<u>3,356</u>	<u>2,206</u>

21. TRADE RECEIVABLES

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within 30 days	1,595	3,370
31 to 60 days	392	7,736
61 to 90 days	638	2,553
91 to 120 days	167	769
Over 120 days	956	978
	3,748	15,406
Total	3,748	15,406

22. TRADE PAYABLES

The aged analysis of the Group is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within 30 days	555	607
31 – 60 days	13	2,305
61 – 90 days	7	795
over 90 days	385	409
	960	4,116
Total	960	4,116

23. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP AND THE COMPANY

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases within one year	–	68	–	67
Less: future finance charges	–	(1)	–	–
	–	67	–	67
Present value of lease obligations	–	67	–	67

It is the Group's policy to lease certain of its motor vehicles under finance leases with a lease term of 3 years. For the year ended 31 March 2005, there were no obligations under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

24. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

25. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
At 1 April	20,460	1,975
Issued during the year	–	50,000
Converted during the year	(3,160)	(31,515)
	<u>17,300</u>	<u>20,460</u>
At 31 March	<u>17,300</u>	<u>20,460</u>
Amount due for settlement within 12 months (shown under current liabilities)	17,300	–
Amount due for settlement after 12 months	–	20,460
	<u>17,300</u>	<u>20,460</u>

Included in the convertible bonds as at 31 March 2005 is an amount of HK\$17,300,000 which issued on 27 June 2003 and matures on 27 June 2005 ("CB"). CB 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 CB entitles the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$1 per share during the period from 27 June 2003 to 27 June 2005. In addition, if the CB remain outstanding on the maturity date, the Company will redeem the principal of the CB at 100% of face value of the bonds. Subsequent to the balance sheet date HK\$17,300,000 CB has been converted into 17,300,000 shares of HK\$0.1 per share in the Company.

26. SHARE CAPITAL

Ordinary shares of HK\$0.1 each

	THE GROUP AND THE COMPANY	
	Number of shares	Amount HK\$'000
Authorised:		
Balance at 1 April 2003, 31 March 2004 and 31 March 2005	5,000,000,000	500,000
Issued and fully paid:		
Balance at 1 April 2003	100,231,577	10,023
Issue of shares as consideration for the acquisition of investment in securities	12,300,000	1,230
Issue of shares on conversion of convertible bonds	45,150,000	4,515
Issue of shares on exercise of share options	7,500,000	750
Issue of shares by private placements	34,586,000	3,459
Balance at 31 March 2004	199,767,577	19,977
Issue of shares by private placements	10,000,000	1,000
Issue of shares on conversion of convertible bonds	7,300,000	730
Balance at 31 March 2005	217,067,577	21,707

Non-voting preference shares of HK\$10 each

	THE GROUP AND THE COMPANY	
	Number of shares	Amount HK\$'000
Authorised:		
Balance at 1 April 2003, 31 March 2004 and 31 March 2005	100,000,000	1,000,000
Issued and fully paid at 1 April 2003, 31 March 2004 and 31 March 2005	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

26. SHARE CAPITAL (CONT'D)

Details of changes in the share capital of the Company are as follows:

- (a) Pursuant to the sale and purchase agreement of 3 July 2003 in relation to the acquisition of 35% equity interest in Global United Holdings Limited ("Global United") which was subsequently disposed of as mentioned in note 30(b), the Company issued and allotted 12,300,000 new ordinary shares of HK\$0.1 each in the Company at an issue price of HK\$0.85 per share representing a premium of approximately 1.55% to the average closing market price of the Company's shares for the ten trading days ended 3 July 2003. These new shares were issued under the specific mandate granted to the directors at the special general meeting of the Company held on 20 August 2003 and rank pari passu with the existing shares in issue in all respects.
- (b) On 30 September 2003, the Company has entered into a subscription agreement with Guo Kang Pharmaceutical & Medical Supplies Limited ("Guo Kang") in relation to the subscription by Guo Kang and the allotment by the Company of 17,000,000 new ordinary shares of HK\$0.1 each in the Company at a subscription price of HK\$0.85 per share. The proceeds were intended to be used for investments in medical, pharmaceutical and healthcare related projects. These new shares were issued under the specific mandate granted to the directors at the special general meeting of the Company held on 27 November 2003 and rank pari passu with the existing shares in issue in all respects.
- (c) On 27 January 2004, an arrangement was made for a private placement of 17,586,000 ordinary shares of HK\$0.1 each in the Company held by certain shareholders of the Company, at a price of HK\$3.0 per share representing a discount of approximately 3.23% to the average closing market price of the Company's shares for the ten trading days ended 27 January 2004.

Pursuant to a subscription agreement of the same date, the aforesaid shareholders subscribed for 17,586,000 new ordinary shares of HK\$0.1 each in the Company at a subscription price of HK\$3.0 per share. The proceeds were intended to be used for investments in medical, pharmaceutical and healthcare related projects. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 30 September 2003 and rank pari passu with the existing shares in issue in all respects.

26. SHARE CAPITAL (CONT'D)

- (d) During the year ended 31 March 2004, the Company had issued a total of 45,150,000 ordinary shares of HK\$0.1 each in the Company upon the conversion of convertible bonds as follows:

Conversion price per share	Amount of convertible bonds converted <i>HK\$'000</i>	Shares issued upon conversion	Share capital increased upon conversion <i>HK\$'000</i>
HK\$0.1	1,515	15,150,000	1,515
HK\$1.0	30,000	30,000,000	3,000
		<u>45,150,000</u>	<u>4,515</u>

- (e) On 18 February 2004, an arrangement was made for a private placement of 10,000,000 ordinary shares of HK\$0.1 each in the Company held by a corporate shareholder of the Company, at a price of HK\$3.6 per share representing a discount of approximately 6.6% to the average closing market price of the Company's shares for the ten trading days ended 16 February 2004.

Pursuant to a subscription agreement of the same date, the corporate shareholder subscribed for 10,000,000 new ordinary shares of HK\$0.1 each in the Company at a subscription price of HK\$3.6 per share. The proceeds were intended to be used for investments in medical, pharmaceutical and healthcare related projects and for general working capital purposes. These new shares were issued under the specific mandate granted to the directors at the special general meeting of the Company held on 2 April 2004 and rank pari passu with the existing shares in issue in all respects.

- (f) During the year ended 31 March 2005, the Company had issued a total of 7,300,000 ordinary shares of HK\$0.1 each in the Company upon the conversion of convertible bonds as follows:

Conversion price per share	Amount of convertible bonds converted <i>HK\$'000</i>	Shares issued upon conversion	Share capital increased upon conversion <i>HK\$'000</i>
HK\$0.1	460	4,600,000	460
HK\$1.0	2,700	2,700,000	270
		<u>7,300,000</u>	<u>730</u>

- (g) Details of issue of ordinary shares upon exercise of share options for the year ended 31 March 2004 are set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

27. RESERVES

Details of the movements in the reserves of the Group are set out in Consolidated Statement of Changes in Equity on page 29.

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April 2003	55,531	57,124	(87,465)	25,190
Shares issued at premium	106,724	–	–	106,724
Share issue expenses	(2,469)	–	–	(2,469)
Loss for the year	–	–	(67,517)	(67,517)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	159,786	57,124	(154,982)	61,928
Shares issued at premium	37,430	–	–	37,430
Share issue expenses	(2,861)	–	–	(2,861)
Loss for the year	–	–	(112,780)	(112,780)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	<u>194,355</u>	<u>57,124</u>	<u>(267,762)</u>	<u>(16,283)</u>

The contributed surplus of the Company represented the net effect of the capital reduction, the share premium cancellation and the elimination with the accumulated losses of the Company in prior years.

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.

In the opinion of the directors, as at 31 March 2005, the Company did not have any reserve available for distribution to shareholders.

28. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK\$112,780,000 (2004: HK\$67,517,000).

29. ACQUISITION OF SUBSIDIARIES

On 11 June 2004 and 20 May 2004, the Group completed the acquisition of 100% equity interest in Junghua Enterprises Holdings Limited and 100% interest in West Regent Property Limited for a consideration of HK\$30,000,000 and HK\$26,500,000 respectively.

During the year ended 31 March 2004, the Group acquired the entire interest in Card Symbols Limited and 51% interest in Fullway Technology Limited for a consideration of HK\$13,850,000 and HK\$1,698,000 respectively.

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	2,128	–
Intangible assets	1,415	–
Interest in an associate	–	1
Investments in securities	–	1,310
Inventories	2,549	–
Bank balances and cash	2,111	–
Trade receivable	3,486	–
Prepayments, deposits and other receivables	33,866	–
Trade payables	(1,251)	–
Other payables and accrued liabilities	(13,256)	(1)
Minority interests	(10,065)	(642)
	<hr/>	<hr/>
Net assets acquired	20,983	668
Goodwill on acquisition	35,517	14,880
	<hr/>	<hr/>
	56,500	15,548
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration	50,000	10,548
Assignment of loan receivables	–	5,000
Investments in securities (see note 30(b))	6,500	–
	<hr/>	<hr/>
	56,500	15,548
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow arising on acquisition:		
Cash consideration	(50,000)	(10,548)
Bank balances and cash acquired	2,111	–
	<hr/>	<hr/>
	(47,889)	(10,548)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year contributed HK\$7,446,000 of revenue and HK\$8,126,000 of loss before tax for the period between the dates of acquisition and the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had the following major non-cash transactions:

- (a) Conversion of the convertible bonds into the Company's shares is set out in note 26(f) above.
- (b) The Group acquired 100% equity interest in West Regent Property Limited from Jung-I Development Limited ("Jung-I") at the consideration of HK\$26,500,000 which was partially settled by the transfer of 35% equity interest in Global United at a consideration of HK\$6,500,000 and the remaining balance of HK\$20,000,000 was settled by cash payment. At the 2004's balance sheet date, the 35% equity interest in Global United had been transferred to Jung-I and HK\$6,500,000 was recorded as deposit for acquisition in 2004's consolidated balance sheet.

31. DEFERRED TAXATION

At the balance sheet date the Group has unused tax losses arising of approximately HK\$39,378,000 (2004: HK\$20,736,000) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams. The tax losses may be carried forward either from 2 to 5 years or indefinitely.

32. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities at the balance sheet date (2004: Nil).

33. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure contracted but not provided for in the financial statements	—	20,000

On 7 February 2005, the Company incorporated a wholly owned subsidiary in PRC with required capital contribution of US\$350,000 (equivalent to HK\$2,730,000). However, the capital has not been contributed by the Company at 31 March 2005.

34. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings:				
Within one year	1,194	47	53	–
In the second to fifth year, inclusive	48	–	–	–
	<u>1,242</u>	<u>47</u>	<u>53</u>	<u>–</u>

35. SHARE OPTION SCHEMES

Pursuant to the share option scheme adopted by the Company in 2001 (the "Old Scheme"), the Company may grant options to any directors or full time employees of the Company or its subsidiaries to subscribe for shares in the Company at a subscription price which is the higher of 80% of the average closing price of the Company's shares for the five trading days immediately preceding the date of grant or the nominal value of the Company's shares. The Old Scheme was replaced by the Company's existing share option scheme (the "New Scheme") which was adopted pursuant to a resolution passed on 8 April 2002, and will expire on 7 April 2012. All outstanding options continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Under the New Scheme, the Board of Directors of the Company may grant options to eligible officers and employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties who (i) have previously been and continue to be retained by the Group to provide business, legal or tax consultancy services or other professional services, whose expertise is valuable to the business development of the Group; or (ii) introduce investment opportunities to the Group; or (iii) contribute by way of introduction of new business to the Group.

35. SHARE OPTION SCHEMES (CONT'D)

The maximum number of shares in respect of which options may be granted under the New Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. The Scheme Mandate Limit may be refreshed by approval of the Company's shareholders in general meeting. However, the total number of the shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Company as refreshed must not exceed 10% of the shares of the Company in issue as at the date of approval of the limit ("Refreshed Limit"). Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Scheme and other schemes of the Company or exercised options) will not be counted for the purposes of calculating the limit as refreshed. The Company may seek separate approval by the Company's shareholders in general meeting for granting options beyond the 10% limit under Scheme Mandate Limit and Refreshed Limit provided that the options in excess of the limit are granted only to eligible persons mentioned in New Scheme ("Eligible Persons") specifically identified by the Company before such approval is sought. Notwithstanding the aforesaid, the limit on the number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within the period as specified in the offer letter and no consideration of grant needs to be paid. Options may be exercised at any time from the date of grant to the expiry date of the New Scheme. The exercise price is determined by the directors of the Company, and shall be the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

In accordance with the rules of the New Scheme with the approval from the Company's shareholders on the special general meeting held on 17 February 2005, the maximum number of options that can be granted by the Company to the Eligible Persons is increased by 21,706,757 to 38,248,757.

35. SHARE OPTION SCHEMES (CONT'D)

Particulars of share options granted by the Company since the date of adoption of share option schemes up to 31 March 2005 are as follows:

Option type	Date of grant	Exercisable period		Exercise price HK\$
		From	To	
A	31 August 2001	31 August 2001	15 May 2011	8.6
B	11 October 2001	11 October 2001	15 May 2011	10.4
C	11 February 2002	11 February 2002	15 May 2011	9.2
D	15 February 2002	15 February 2002	15 May 2011	9.2
E	10 April 2002	10 April 2002	7 April 2012	10.2
F	27 November 2002	27 November 2002	7 April 2012	1.0
G	2 February 2004	2 February 2004	7 April 2012	3.4
H	3 March 2005	3 March 2005	7 April 2012	2.325

The following tables summarise movements in the Company's share options during the year ended 31 March 2005:

Old Scheme

	Option type	Number of share options		
		Outstanding at 1 April 2004	Lapsed	Outstanding at 31 March 2005
Directors	A	25,000	–	25,000
Advisors and consultants	A	1,075,000	(1,075,000)	–
Total		1,100,000	(1,075,000)	25,000

At 31 March 2005, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 25,000 representing 0.01% of the shares of the Company in issue at that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

35. SHARE OPTION SCHEMES (CONT'D)

New Scheme

	Option Type	Number of options			Outstanding at 31 March 2005
		Outstanding at 1 April 2004	Granted	Reclassification upon appointment of director	
Directors	G	4,002,000	–	3,000,000	7,002,000
	H	–	8,370,000	–	8,370,000
Total of directors		<u>4,002,000</u>	<u>8,370,000</u>	<u>3,000,000</u>	<u>15,372,000</u>
Employees	G	469,000	–	–	469,000
	H	–	840,000	–	840,000
Total of employees		<u>469,000</u>	<u>840,000</u>	<u>–</u>	<u>1,309,000</u>
Officer	G	<u>1,500,000</u>	–	(1,500,000)	–
Advisors and consultants	G	10,546,000	–	(1,500,000)	9,046,000
	H	–	8,622,000	–	8,622,000
Total of advisors and consultants		<u>10,546,000</u>	<u>8,622,000</u>	<u>(1,500,000)</u>	<u>17,668,000</u>
Total		<u><u>16,517,000</u></u>	<u><u>17,832,000</u></u>	<u><u>–</u></u>	<u><u>34,349,000</u></u>

At 31 March 2005, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 34,349,000 representing 15.8% of the shares of the Company in issue at that date.

35. SHARE OPTION SCHEMES (CONT'D)

The following tables summarise the movements in the Company's share options during the year ended 31 March 2004:

Old Scheme

	Option type	Number of share options		
		Outstanding at 1 April 2003	Reclassification upon resignation of director	Outstanding at 31 March 2004
Directors	A	500,000	(475,000)	25,000
Employees	A	600,000	(600,000)	–
Advisors and consultants	A	–	1,075,000	1,075,000
Total		1,100,000	–	1,100,000

At 31 March 2004, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 1,100,000, representing 0.6% of the shares of the Company in issue at that date.

New Scheme

	Option Type	Number of share options			
		Outstanding at 1 April 2003	Granted	Exercised	Outstanding at 31 March 2004
Directors	F	900,000	–	(900,000)	–
	G	–	4,002,000	–	4,002,000
Total of directors		900,000	4,002,000	(900,000)	4,002,000
Employees	F	850,000	–	(850,000)	–
	G	–	469,000	–	469,000
Total of employees		850,000	469,000	(850,000)	469,000
Officer	G	–	1,500,000	–	1,500,000
Advisors and consultants	F	5,750,000	–	(5,750,000)	–
	G	–	10,546,000	–	10,546,000
Total of others		5,750,000	10,546,000	(5,750,000)	10,546,000
Total		7,500,000	16,517,000	(7,500,000)	16,517,000

35. SHARE OPTION SCHEMES (CONT'D)

New Scheme (cont'd)

The weighted average closing prices of the Company's shares immediate before the dates of which the share options exercised during the year ended 31 March 2004 was HK\$0.97.

At 31 March 2004, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 16,517,000, representing 8.3% of the shares of the Company in issue at that date.

No consideration was received during the year from any person for taking up the options granted and no charge was recognised in the income statement in respect of the value of options granted.

36. RELATED PARTY TRANSACTIONS

No significant related party transaction was entered into by the Group during the year ended 31 March 2005.

During the year ended 31 March 2004, the Group had entered into the following significant related party transactions:

- (a) The Group paid interest on an amount due to a related company amounting to HK\$294,000. The amount due to the related company is unsecured, interest bearing at 12% per annum and has no fixed terms of repayment.

A director of the Company has beneficial interests in this related company.

- (b) Two motor vehicles of the Group with net book value of HK\$619,000 were disposed of to a former director of the Company with a gain of HK\$173,000.
- (c) The Group transferred certain investments in securities to a former director of the Company at a consideration of HK\$1,100,000 as part of the settlement of the amount due to the former director.

37. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- (a) A total of 17,300,000 ordinary shares of HK\$0.1 each in the Company have been issued and allotted to the convertible bond holders as mentioned in note 25 above.
- (b) The Company has issued convertible bonds with an aggregate amount of US\$6.6 million (equivalent to HK\$51.48 million) to third parties. The convertible bonds mature on 18 May 2009, bear interest at 3% per annum and entitle the holder to convert the bonds into new shares of the Company at a conversion price, subject to adjustment, of HK\$2.525 per share before the maturity date.

37. POST BALANCE SHEET EVENTS (CONT'D)

- (c) The Group entered into an agreement with a third party and paid a consideration of HK\$3.6 million for the acquisition of 56% equity interest in CHC (Shanghai) Medical and HealthCare Services Limited ("SMHS"). SMHS is a company incorporated in the PRC to operate a healthcare clinic located in Shanghai, PRC. Through the relevant contractual arrangement, the Group's 56% equity interest in SMHS will be held by the third party as individual nominee on behalf of the Group.

- (d) The Group entered into an agreement with a third party, Everstep Consultants Limited ("Everstep"), to establish a contractual joint venture ("JV") whose purpose is to engage in providing maternal and fetal care services in PRC. According to the agreement, the Group holds 65% interest in the JV. HK\$4.9 million was advanced to the JV by the Group for the JV's establishment and operation.