NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have a material effect on how the results for the current or prior accounting periods are prepared and presented.

(a) Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions on or after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(b) Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions").

Upon the adoption of HKFRS 2, the fair value of the services received from employees (including directors) and consultants in exchange for the grant of the options is determined at the date of options granted and is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of HK$148,000 has been recognised and the same amount is recognised in the Group's share option reserve.

Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. Since all the share options granted before 1 April 2005 had vested before that date, no prior period adjustment is required.

(c) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) Convertible bonds

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

Upon the adoption of HKAS 32, the convertible bonds are recognised initially at fair value, net of transaction costs incurred. The fair value of the liability component of the Company's convertible bonds is determined using a market interest rate for an equivalent non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity, net of income tax effects. The equity component of the Company's convertible bonds is recognised in the other reserve when the bonds are derecognised, either converted, redeemed or lapsed.

In previous years, convertibles bonds were classified as liabilities on the balance sheet at their fair value. Because HKAS 32 requires retrospective application, comparative figures have been restated. Details of financial impact on adoption of HKAS 32 are set out in Note 14 to the condensed financial statements.

(ii) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-to-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified its "investment in securities" as "available-for-sale investments" in accordance with HKAS 39 which are carried at fair value or at cost. The change in accounting policy has had no impact on the results for the current period.

(iii) Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. Upon adoption of HKAS 39, the convertible bonds of the Company are carried at amortised cost basis. The financial impact on adoption of HKAS 39 are set out in Note 14 to the condensed financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organized into three operating divisions – (i) producing and trading of biotechnology products, (ii) provision for medical consultancy and agency services, and (iii) investment holding. Its business of sourcing and distribution of electronic parts and components was discontinued since 1 November 2004. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue and segment results by business and geographical segments is as follows:

Business segments

	Continuing operations				Discontinued operation	
	Producing and trading of biotechnology products (Unaudited) HK$'000	Provision for medical consultancy and agency services (Unaudited) HK$'000	Investment holding (Unaudited) HK$'000	Sub-total (Unaudited) HK$'000	Sourcing and distribution of electronic parts and components (Unaudited) HK$'000	Consolidated Total (Unaudited) HK$'000
Income statement						
For the six months ended 30 September 2005						
Segment revenue	2,840	706	–	3,546	–	3,546
Segment results	(845)	(6,748)	(4,500)	(12,093)	–	(12,093)
Other operating income				372	–	372
Unallocated corporate expenses				(12,304)	–	(12,304)
Loss from operations				(24,025)	–	(24,025)
Finance costs				(1,565)	–	(1,565)
Loss before taxation				(25,590)	–	(25,590)

	Continuing operations				Discontinued operation	
	Producing and trading of biotechnology products (Unaudited) HK$'000	Provision for medical consultancy and agency services (Unaudited) HK$'000	Investment holding (Unaudited) HK$'000	Sub-total (Unaudited) HK$'000	Sourcing and distribution of electronic parts and components (Unaudited) HK$'000	Consolidated Total (Unaudited) HK$'000
Income statement						
For the six months ended 30 September 2004						
Segment revenue	2,017	84	–	2,101	26,718	28,819
Segment results	246	(10,693)	(796)	(11,243)	(12,360)	(23,603)
Other operating income				79	–	79
Unallocated corporate expenses				(2,211)	–	(2,211)
Loss from operations				(13,375)	(12,360)	(25,735)
Finance costs				(372)	–	(372)
Loss before taxation				(13,747)	(12,360)	(26,107)

Geographical segments

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

4. LOSS FROM OPERATIONS

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

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**1,049**	602
Loss on disposal of property, plant and equipment	**3**	–
Interest Income	**(348)**	(29)

5. FINANCE COSTS

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts	**–**	21
Convertible bonds	**934**	350
Obligations under finance leases	**–**	1
Amortisation of convertible bonds	**631**	–
	1,565	372

6. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits during the period (2004: 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 (2004: Nil).

8. BASIC LOSS PER SHARE

From continuing operations and discontinued operation

The calculation of the basic loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net loss for the period attributable to equity holders of the parent	**(23,641)**	(25,636)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	**226,143**	213,988

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the parent is based on the following data:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net loss for the period attributable to equity holders of the parent	**(23,641)**	(25,636)
Add: Loss for the period from discontinued operation	**–**	12,360
	(23,641)	(13,276)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

Basic loss per share for discontinued operation is Nil per share (2004: HK cents 5.8 per share). The denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share have been presented for the six months ended 30 September 2005 and 2004 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. PROPERTY, PLANT AND EQUIPMENT

	Total
	HK$'000
Net book value at 1 April 2005	6,890
Additions	4,936
Disposals/write off	(3)
Acquired on acquisition of subsidiary	1,548
Depreciation provided for the period	(1,049)
Net book value at 30 September 2005	**12,322**

10. INTANGIBLE ASSETS

	Patent	**Goodwill**	**Total**
	HK$'000	HK$'000	HK$'000
Net book value at 1 April 2005	1,274	38,173	39,447
Arising on acquisition of subsidiary	–	1,213	1,213
Amortisation provided for the period	(95)	–	(95)
Impairment losses provided for the period	–	(4,500)	(4,500)
Net book value at 30 September 2005	**1,179**	**34,886**	**36,065**

11. LOAN RECEIVABLES

	At 30 September 2005 (Unaudited) HK$'000	At 31 March 2005 (Unaudited) HK$'000
Secured term loans	**21,026**	21,026
Unsecured term loans	**9,345**	400
	30,371	21,426
Less: Amount due within one year shown under current assets	**(29,747)**	(21,426)
Amount due after one year	**624**	–

(a) The secured term loans as at 30 September 2005 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 2005. On 29 September 2005, the Group has agreed to further extend the maturity date by one year to 29 September 2006.

(b) The unsecured term loans as at 30 September 2005 comprise loans of HK$8,721,000 to independent third parties at interest rates ranged from 5.75% to 8% per annum and repayable within twelve months and a loan of HK$624,000 to an independent third party at an interest rate of 12% per annum and repayable on 1 February 2007.

12. 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:

	At 30 September 2005		At 31 March 2005	
	Balance (Unaudited) HK$'000	**Percentage (Unaudited)**	Balance (Audited) HK$'000	Percentage (Audited)
Within 30 days	**330**	**10**	1,595	43
31 – 60 days	**242**	**7**	392	10
61 – 90 days	**165**	**5**	638	17
91 – 120 days	**272**	**8**	167	4
Over 120 days	**2,294**	**70**	956	26
Total	**3,303**	**100**	3,748	100

13. TRADE PAYABLES

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

	At 30 September 2005		At 31 March 2005	
	Balance (Unaudited) HK$'000	**Percentage (Unaudited)**	Balance (Audited) HK$'000	Percentage (Audited)
Within 30 days	**223**	**11**	555	58
31 – 60 days	**–**	**–**	13	1
61 – 90 days	**234**	**11**	7	1
Over 90 days	**1,628**	**78**	385	40
Total	**2,085**	**100**	960	100

14. CONVERTIBLE BONDS

	Convertible Bonds due on 27 June 2005 (the "CB1")	Convertible Bonds due on 18 May 2009 (the "CB2")	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2005	17,001	–	17,001
Issued during the period	–	47,664	47,664
Amortisation during the period	299	332	631
Converted during the period	(17,300)	–	(17,300)
At 30 September 2005	**–**	**47,996**	**47,996**

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.

Upon adoption of HKAS 32 retrospectively, the fair value of liability component of CB1, which was determined using a market interest rate of 10.5% for an equivalent non-convertible bond at its issuance, was HK$17,865,000. The difference between the proceeds from the issue and the fair value of the liability component of CB1, represented the equity component of HK$2,595,000, was recognized as convertible bonds reserve at the beginning of prior period. The liability component of CB1 was subsequently carried at amortized cost while the equity component of CB1 was transferred to share premium when the bond was converted. As a result, there was an adjustment to reduce the amount of convertible bonds reserve of HK$400,000 as at 30 September 2004. Upon adoption of HKAS 39, the amount of CB1 was carried at amortised cost basis. As a result, there was an adjustment to increase the opening balance of accumulated losses of HK$1,896,000 as at 1 April 2005. The effect on reserve movement upon adoption of HKAS 32 and HKAS 39 are reflected in condensed consolidated statement of change in equity.

During the period, the CB1 has been fully converted into 17,300,000 shares of HK$0.1 per share in the Company with the creation of HK$17,765,000 share premium, in which HK$2,195,000 was transferred from convertible bonds reserve.

The CB2 carry interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. Each CB2 entitles 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 during the period from 19 May 2005 to 18 May 2009. In addition, if the CB2 remain outstanding on the maturity date, the Company will redeem the principal of the CB2 at 100% of their face plus accrued interest.

Upon adoption of HKAS 32, the fair value of liability component of CB2, which was determined using a market interest rate of 5.135% for an equivalent non-convertible bond at its issuance, was HK$47,664,000. The difference between the proceeds from the issue and the fair value of the liability component of CB2, represented the equity component of HK$3,592,000, was recognized as convertible bonds reserve during the period. During the six months ended 30 September 2005, none of CB2 was converted or redeemed by the Company.

During the period, the amortisation of CB1 and CB2 totalled HK$631,000 was charged to the profit and loss.

15. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
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
At 31 March 2005 and 30 September 2005		1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2005	217,067,577	21,707
Issue of shares upon conversion of convertible bonds	17,300,000	1,730
At 30 September 2005	**234,367,577**	**23,437**

16. ACQUISITION OF SUBSIDIARY

On 1 April 2005, the Group acquired 56% of the issued share capital of CHC (Shanghai) Medical & Healthcare Services Limited for a cash consideration of HK$3.8 million. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Total
	HK$'000
Net assets acquired	2,587
Goodwill arising on acquisition	1,213
Total consideration, satisfied by cash	3,800
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,800)
Cash and cash equivalents acquired	–
	(3,800)

The subsidiary acquired during the period has not yet generated the revenue but contributed approximately HK$1,958,000 to the Group's loss after tax.

17. RELATED PARTY TRANSACTIONS

No significant related party transaction was entered into by the Group during the period ended 30 September 2005.