1. CORPORATE INFORMATION

The head office and principal place of business of Hong Kong Pharmaceutical Holdings Limited (the "Company") is located at 5th Floor, Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.

During the year, the Group was involved in the following principal activities:

- wholesale and retail of Chinese and other medicines, health products and dried seafood products
- production and sale of biotechnological products
- property investment
- provision of Chinese clinical services

To the best knowledge of the Provisional Liquidators, the ultimate holding company is Welcome Success Worldwide Ltd., which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

At 31 March 2004, the Group had consolidated net current liabilities of approximately HK$158,417,000 (2003: HK$107,763,000) and consolidated net liabilities of approximately HK$83,448,000 (2003: net assets of HK$8,466,000). The Group also incurred a net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 of approximately HK$91,914,000 (2003: HK$59,263,000) and reported a decrease in cash and cash equivalents for the year ended 31 March 2004 of approximately HK$4,220,000 (2003: HK$16,213,000). Notwithstanding the adverse financial position of the Group as at 31 March 2004, the Provisional Liquidators have prepared these financial statements on a going concern basis as they believe that there are good prospects that the Restructuring Proposal as outlined below can be successfully implemented.

On 25 February 2005, the Company submitted a proposal to the Listing Division of the HKEx (the "Listing Division"), setting out the principal terms of the proposed restructuring and requesting the HKEx's conditional approval for the resumption of trading in the shares in the Company (the "Resumption Proposal"). On 15 August 2005, a final revised Resumption Proposal and supporting business plan, profit forecast memorandum and financial projections were submitted to the Listing Division, incorporating additional information, clarification and disclosures in response to queries from the Listing Division. The Resumption Proposal sets out the principal terms of the proposed restructuring.

On 7 September 2005, a restructuring agreement was entered into by the Company and the Investor for the implementation of the restructuring proposal. A subscription agreement was also entered into by the Company, the Provisional Liquidators and the Investor pursuant to which the Investor has agreed to subscribe for and the Company has agreed to issue and allot the subscription shares and the subscription preference shares.

The Proposed Restructuring, if successfully implemented, will, among other things, result in:

(i) a restructuring of the share capital of the Company through par value reduction, share consolidation and increase in authorised share capital as contained in the capital restructuring;

(ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangements under section 166 of the Hong Kong Companies Ordinance and section 99 of the Bermuda Companies Act ("Schemes");

(iii) the entire interest of the Company in its dormant or insolvent subsidiaries being transferred to a nominee of the scheme administrators of the Schemes for a nominal consideration; and

(iv) the resumption of trading in the new shares of the Company upon completion of the Proposed Restructuring ("Completion") subject to sufficient public float being restored.

2. BASIS OF PREPARATION (Continued)

Having reviewed and considered the operations and affairs of the Company and its subsidiaries, the magnitude of the claims against the Company and the second stage delisting procedures, the Provisional Liquidators concluded that the proposed restructuring represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business. As at the date of this report, the Provisional Liquidators have received in-principle support from creditors representing more than 75% of the total indebtedness of the Company.

Should the Group be unable to achieve a successful restructuring and continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Certain subsidiaries within the Group have been deconsolidated from the consolidated financial statements as of 31 March 2004 because in the opinion of the Provisional Liquidators, the Group lost control over these subsidiaries and it will be misleading to the users if these subsidiaries are consolidated in the Group's assets and liabilities at the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of the subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 years, less any impairment losses.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserve, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's shares of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to the expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount if estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates for this purpose are as follows:

Building	4.75%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	9% to $33^1/_3$%
Motor vehicles	12.5% to 25%

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

Construction in progress represents factory buildings, plant and machinery and other fixed assets under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm’s length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Patent

Purchased patent is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over its estimated useful life of 10 years.

Know-how

Know-how represents certain technological know-how acquired during the course of the business. It is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis, over its estimated useful life of not more than 15 years, commencing from the date when the related products are put into commercial production.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the commercial lives of the underlying products of not exceeding 15 years, commencing from the date when the products are put into commercial production.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such lease are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating lease are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rental payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis. They are stated at cost less any impairment losses, on an individual investment basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long term investments (Continued)

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the Provisional Liquidators, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values ceased to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Short term investments

Short term investments are investments in listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of marketable securities, when the relevant contract notes are exchanged;

(c) from the rendering of services, when the services are rendered;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(f) dividend income, when the shareholders' right to receive payment has been established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries 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 tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year and prior years by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension schemes.

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account, options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

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

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the sum yung and pharmaceutical products segment sells Chinese and other medicines, pharmaceutical products, health products and dried seafood products to wholesalers and retailers;

(b) the biotechnological and transgenic products segment engages in the production and sale of biotechnological and transgenic products;

(c) the property investment segment engages in investment property holding and receives rental income from properties located in Hong Kong and Mainland China; and

(d) the corporate and others segment comprises the provision of Chinese clinical services, the trading of marketable securities and corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at cost or with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Sum yung and pharmaceutical products		Biotechnological and transgenic products		Property investment		Corporate and others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external Customers	**115,561**	99,179	**22,881**	5,426	**2,286**	2,396	**1,276**	1,320	**–**	–	**142,004**	108,321
Intersegment Sales	**195**	212	**–**	–	**–**	–	**–**	59	**(195)**	(271)	**–**	–
Other revenue	**930**	544	**188**	470	**–**	–	**12**	–	**–**	–	**1,130**	1,014
Total	**116,686**	99,935	**23,069**	5,896	**2,286**	2,396	**1,288**	1,379	**(195)**	(271)	**143,134**	109,335
Segment results	**(1,171)**	(8,964)	**(48,742)**	(38,678)	**4,971**	77	**(38,447)**	(22,408)			**(83,389)**	(69,973)
Interest and dividend Income											**1,290**	2,090
Unallocated expenses											**(1,404)**	(4,342)
Loss from operating activities											**(83,503)**	(72,225)
Finance costs											**(11,517)**	(6,683)
Loss before tax											**(95,020)**	(78,908)
Tax											**(15)**	(1)
Loss before minority interests											**(95,035)**	(78,909)
Minority interests											**3,121**	19,646
Net loss from ordinary activities attributable to shareholders											**(91,914)**	(59,263)
Segment assets	**10,445**	34,597	**29,990**	100,005	**49,898**	42,846	**48,579**	68,010	**–**	–	**138,912**	245,458
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	583	**–**	–	**–**	583
	10,445	34,597	**29,990**	100,005	**49,898**	42,846	**48,579**	68,593	**–**	–	**138,912**	246,041
Unallocated assets											**71**	3,895
Total assets											**138,983**	249,936
Segment liabilities	**10,474**	22,597	**21,097**	23,010	**585**	624	**44,740**	24,113	**–**	–	**76,896**	70,344
Unallocated liabilities											**145,535**	157,195
Total liabilities											**222,431**	227,539
Other segment information:												
Depreciation	**1,907**	3,157	**5,110**	6,172	**5**	11	**533**	919	**–**	–	**7,555**	10,259
Amortisation of intangible assets	**392**	172	**1,411**	1,899	**–**	–	**–**	–	**–**	–	**1,803**	2,071
Amortisation of goodwill	**172**	172	**–**	–	**–**	–	**942**	1,339	**–**	–	**1,114**	1,511
Impairment losses included in the profit loss account	**–**	–	**44,196**	16,033	**–**	–	**–**	8,147	**–**	–	**44,196**	24,180
											54,668	38,021
Capital expenditure	**1,305**	2,680	**947**	4,739	**–**	13	**6**	150	**–**	–	**2,258**	7,582
Other non-cash expenses	**527**	4,351	**5,430**	8,927	**(7,050)**	2,000	**29,329**	2,999	**–**	–	**28,236**	18,277

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**56,230**	56,575	**85,774**	51,746	**–**	–	**142,004**	108,321
Other segment information:								
Segment assets	**97,200**	125,597	**41,783**	124,339	**–**	–	**138,983**	249,936
Capital expenditure	**47**	374	**2,211**	7,208	**–**	–	**2,258**	7,582

6. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of turnover and other revenue is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of sum yung and pharmaceutical products	**116,398**	99,179
Sale of biotechnological and transgenic products	**22,881**	5,426
Property investment-gross rental income	**2,286**	2,396
Others	**439**	1,320
	142,004	108,321
Other revenue		
Interest income	**1,181**	1,861
Dividend income from listed investments	**109**	229
Others	**1,130**	1,014
	2,420	3,104

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Group	
	2004	2003
	HK$'000	*HK$'000*
Cost of inventories sold	**92,463**	73,073
Cost of services provided	**331**	491
Depreciation	**7,555**	10,259
Amortisation of a patent	**392**	172
Amortisation of know-how*	**931**	1,899
Amortisation of deferred development costs	**480**	–
Impairment of fixed assets	**36,762**	–
Impairment of know-how	**2,816**	9,696
Impairment of deferred development costs**	**2,860**	6,337
Research and development expenditure**	**3,017**	2,049
Impairment of goodwill	**–**	5,147
Amortisation of goodwill**	**1,114**	1,511
Minimum lease payments under operating leases in respect of land and buildings	**12,403**	13,247
Auditors' remuneration	**1,298**	950
Staff costs (excluding directors' remuneration)		
Wages and salaries	**18,803**	21,090
Pension scheme contributions***	**1,761**	1,880
Bad debts written off	**4,054**	–
Loss on disposal of a subsidiary	**1,404**	–
Loss on disposal of fixed assets, net	**139**	498
Provision for doubtful trade receivables	**402**	5,674
(Write-back of provision)/Provision for prepayments and other receivables	**(329)**	3,086
Provision for amount due from a related company	**314**	1,061
(Write-back of provision)/provision for obsolete and slow-moving inventories	**(1,796)**	1,266
Provision for amounts due from intermediate holding companies	**13,314**	–
Provision for amount due from an associate	**–**	1,728
Provision for pending litigation	**17,871**	–
Impairment of interests in associates	**583**	–
Impairment of long term unlisted investments**	**1,175**	3,000
Unrealised (gain)/loss on revaluation of short term listed investments	**(28)**	1,687
(Gain)/loss on disposal of short term listed investments	**(1,225)**	1,279
(Surplus)/deficit on revaluation of investment properties	**(7,050)**	2,000
Exchange losses, net	**19**	3
Net rental income	**(2,171)**	(2,281)
Dividend income from listed investments	**(109)**	(229)
Interest income	**(1,181)**	(1,861)

* The amortisation of know-how for the year is allocated between "Cost of sales" and "Other operating expenses" on the face of the consolidated profit and loss account.

** The amortisation of goodwill, impairment in value of long term unlisted investment, impairment of deferred development costs, and research and development expenditure for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** At 31 March 2004, the Group had no significant forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: Nil).

8. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**11,477**	6,639
Interest on finance leases	**40**	32
Other finance costs	**–**	12
	11,517	6,683

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**2,446**	1,224

No fees or other emoluments were paid to the independent non-executive directors during the year.

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**5**	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five (2003: five) non-director, highest paid employees are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,418**	3,068
Pension scheme contributions	**76**	81
	2,494	3,149

The number of the non-director, high paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2004	2003
Nil to HK$1,000,000	**5**	5

11. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Tax charge elsewhere for the year	**15**	1

A reconciliation of tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follow:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Loss before tax	**(95,020)**	(78,908)
Tax at the applicable tax rates of 17.5% (2003: 16%)	**(16,628)**	(12,625)
Effect of different tax rates of subsidiaries	**7**	–
Income not subject to tax	**(1,938)**	(162)
Expenses not deductible for tax	**15,823**	6,806
Tax loss not recognised	**2,751**	5,982
Tax charge	**15**	1

11. TAX (Continued)

Details of the estimated deferred taxation full potential asset are as follows:–

	Group	
	2004	2003
	HK$'000	*HK$'000*
Excess of tax allowance over depreciation	**(14,719)**	(4,001)
Tax losses	**(33,914)**	(30,980)
	(48,633)	(34,981)

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company is approximately HK$34,142,000 (2003: HK$17,828,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$91,914,000 (2003: HK$59,263,000), and the weighted average number of 1,403,796,698 (2003: 1,389,411,493) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2004 and 2003 have not been presented because the effects of the assumed conversion of the share options and convertible notes of the Company during these years were anti-dilutive.

14. PROPERTIES, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At beginning of year	54,703	11,601	33,576	3,130	1,947	104,957
Additions	394	286	673	648	256	2,257
Disposals	–	(2,468)	(55)	–	–	(2,523)
Disposal of a subsidiary	(5,271)	–	(3,465)	(1,278)	(827)	(10,841)
Transfers	26	–	–	–	(26)	–
At 31 March 2004	49,852	9,419	30,729	2,500	1,350	93,850
Analysis of cost or valuation						
At cost	49,852	9,419	30,729	2,500	1,350	93,850
At 31 March 2004 valuation	–	–	–	–	–	–
	49,852	9,419	30,729	2,500	1,350	93,850
Accumulated depreciation						
At beginning of year	3,702	9,717	11,391	1,886	–	26,696
Provided during the year	2,516	1,372	3,323	344	–	7,555
Impairment loss during the year recognised in the profit and loss account	18,881	76	16,455	–	1,350	36,762
Disposals	–	(2,069)	(37)	–	–	(2,106)
Disposal of a subsidiary	(247)	–	(1,549)	(301)	–	(2,097)
At 31 March 2004	24,852	9,096	29,583	1,929	1,350	66,810
Net book value:						
At 31 March 2004	25,000	323	1,146	571	–	27,040
At 31 March 2003	51,001	1,884	22,185	1,244	1,947	78,261

The net book value of the Group's office equipment and motor vehicles held under finance lease as at 31 March 2004 amounted to approximately HK$55,000 (2003: HK$105,000) and approximately HK$79,000 (2003: HK$292,000), respectively.

14. PROPERTIES, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements *HK$'000*
Cost or valuation:	
At beginning of year and 31 March 2004	812
Accumulated depreciation:	
At beginning of year	541
Provided during the year	271
At 31 March 2004	812
Net book value:	
At 31 March 2004	–
At 31 March 2003	271

15. INVESTMENT PROPERTIES

Group

	2004 ***HK$'000***	2003 *HK$'000*
Cost or valuation:		
At beginning of year	**42,150**	44,150
Surplus/(deficit) on revaluation	**7,050**	(2,000)
At 31 March 2004	**49,200**	42,150
Analysis of cost or valuation:		
At cost	**–**	–
At 31 March 2004 valuation	**49,200**	42,150
	49,200	42,150
Net book value:		
At 31 March 2004	**49,200**	42,150

15. INVESTMENT PROPERTIES (Continued)

(a) The Group's investment properties are held under the following lease terms:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Long term leases	19,200	–	19,200
Medium term leases	28,800	1,200	30,000
	48,000	1,200	49,200

The Group's investment properties were revalued on 31 March 2004 by Knight Frank Hong Kong Limited, independent professionally qualified valuers, on an open market value, existing use basis. All investment properties are leased to third parties under operating leases, further details of which are included in Note 38 to the financial statements.

At 31 March 2004, certain of the Group's investment properties with a total carrying value of HK$48,000,000 (2003: 40,950,000) were pledged to secure banking facilities granted to the Group (Note 29).

Further particulars of the Group's investment properties are included on page 61 of the Annual Report.

(b) At 31 March 2004, a building of the Group with a carrying value of approximately HK$25,000,000 (2003: 45,868,000) was pledged to secure banking facilities granted to the Group (Note 29(b)(ii)).

16. INTANGIBLE ASSETS

	Patent *HK$'000*	Know-how *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
Cost:				
At beginning of year	1,880	25,915	9,677	37,472
Additions	–	–	2,201	2,201
Written off	–	–	(2,201)	(2,201)
Disposal during the year	–	(6,580)	–	(6,580)
Deconsolidation of subsidiaries	(1,880)	–	–	(1,880)
At 31 March 2004	–	19,335	9,677	29,012
Accumulated amortisation and impairment:				
At beginning of year	172	17,397	6,337	23,906
Amortisation provided during the year	392	931	480	1,803
Impairment during the year recognised in the profit and loss account	–	2,816	2,860	5,676
Written back on disposal	–	(1,809)	–	(1,809)
Deconsolidation of subsidiaries	(564)	–	–	(564)
At 31 March 2004	–	19,335	9,677	29,012
Net book value:				
At 31 March 2004	–	–	–	–
At 31 March 2003	1,708	8,518	3,340	13,566

17. GOODWILL

The amounts of the goodwill capitalised as an asset, arising from the acquisition of subsidiaries, are as follows:

	HK$'000
Cost:	
At 31 March 2003	21,582
Deconsolidation of subsidiaries	(15,643)
At 31 March 2004	5,939
Accumulated amortisation and impairment:	
At beginning of year	7,054
Amortisation provided during the year	1,114
Written back on deconsolidation of subsidiaries	(2,229)
At 31 March 2004	5,939
Net book value:	
At 31 March 2004	–
At 31 March 2003	14,528

18. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**29,344**	39,445
Due from subsidiaries	**372,794**	368,088
	402,138	407,533
Less: Provisions for impairment	**(29,344)**	(32,427)
Provisions for impairment in amounts due from subsidiaries	**(362,334)**	(368,088)
	10,460	7,018

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

18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Vantage Limited ("China Vantage")	Hong Kong	HK$2	–	100%	Financing activities
China Genetic Limited	Hong Kong	HK$2	–	100%	Investment holding
China Silver Limited	Hong Kong	HK$3	–	100%	Property holding
Forever Good Investments Limited	British Virgin Islands	US$1	–	100%	Investment holding
Forever Wealth Enterprises Limited	Hong Kong	HK$2	–	100%	Property holding
Gain Success Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Securities dealing
Joinbest Investment Limited*	British Virgin Islands	US$50,000	–	100%	Investment holding
Nam Pei Hong (Holding) Limited	Hong Kong	HK$113,942,339	–	100%	Investment holding
Nam Pei Hong Investments Limited	Hong Kong	HK$10,000	–	100%	Property holding
Nam Pei Hong Management Limited	Hong Kong	HK$300,000	–	100%	Provision of management services
Nam Pei Hong Nominees Limited	Hong Kong	HK$2	–	100%	Provision of nominee services
Nam Pei Hong Sum Yung Drugs Company Limited ("Sum Yung")	Hong Kong	HK$1,200,000	–	100%	Wholesale and retail of Chinese medicines, dried seafood and health products
N P H International (B.V.I.) Limited	British Virgin Islands	US$4	100%	–	Investment holding
N P H Sino-Meditech Limited	Hong Kong	HK$2	–	100%	Provision of Chinese clinical services
Shanghai Hua Xin High Biotechnology Inc. ("Hua Xin") *(Note i)*	Mainland China	US$9,620,000	–	57%	Production and sale of biotechnological products
Well Gain Assets Limited	Hong Kong	HK$2	–	100%	Property holding

* Two subsidiaries held by Joinbest Investment Limited have been classified as investments in securities (see Note 21).

18. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(i) Hua Xin is a Sino-foreign co-operative joint venture company established in Mainland China and acquired by the Group in 2001, with an operating period of 45 years commencing from 19 January 1993. The Provisional Liquidators agreed to dispose of Hua Xin in November 2005 (see Note 41 (i)).

(ii) On 26 November 2003, the Company entered into a sales and purchase agreement with Jiangsu Lianhuan Pharmaceutical Co., Ltd. ("Jiangsu Lianhuan"), a company listed in Shanghai, whereby the Company agreed to dispose of its entire 34.43% equity interest in YZ Genetic to Jiangsu Lianhuan for a consideration of RMB7,000.000. The disposal was completed on 10 December 2003.

The above table lists the subsidiaries of the Company which, in the opinion of the Provisional Liquidators, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Provisional Liquidators, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	**818**	818
Due from associates	**4,332**	4,332
	5,150	5,150
Less: Provisions for impairment	**(818)**	(235)
Provisions for amounts due from associates	**(4,332)**	(4,332)
	–	583

Particulars of the associates are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Fujian Province Xinmin High Biotechnology Co. Ltd.	Corporate	Mainland China	19%	Production and sale of genetic medicines and medical equipment
Shanghai Biotechnology Industrial Zone United Development Co. Ltd.	Corporate	Mainland China	17.67%	Provision of building management and environmental support services

19. INTERESTS IN ASSOCIATES (Continued)

The English names of these associates in Mainland China are direct translations of their Chinese registered names.

The shareholdings in the associates all comprise equity shares held through a non wholly-owned subsidiary of the Company.

20. LONG TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	**21,415**	21,415
Less: Provisions for impairment	**(21,415)**	(20,240)
	–	1,175

21. INVESTMENTS IN SECURITIES

	2004	2003
	HK$'000	*HK$'000*
Unlisted, investments at deconsolidated amounts (see *Note 35(b)*)	**10,460**	–

Particulars of the investments are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company Direct**	**Indirect**	**Principal activities**
Guizhou Ensure Chain Pharmacy Co., Ltd. ("Ensure Chain")*	Mainland China	RMB10,000,000	–	51.00%	Retail of pharmaceutical products
Guizhou Ensure Medical Company Limited*	Mainland China	RMB3,000,000	–	45.82%	Retail of pharmaceutical products

Two of the Group's subsidiaries, Guizhou Ensure Chain Pharmacy Company Limited and Guizhou Ensure Medical Company Limited (collectively the "Ensure subsidiaries") which are held via Joinbest Investment Limited ("Joinbest"), were deconsolidated as of 31 March 2004.

21. INVESTMENTS IN SECURITIES (Continued)

The Provisional Liquidators have deconsolidated the Ensure subsidiaries as they consider that the Group is unable to exercise its rights as a major shareholder either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of the Ensure subsidiaries. The management of the Ensure subsidiaries has not provided the Company with any financial information subsequent to the provision of unaudited management accounts for the year ended 31 March 2004, and, accordingly, deconsolidation has been made as of this date.

Subsequent to the balance sheet date, in June 2005, the Provisional Liquidators agreed to dispose of Joinbest to the minority shareholders of the Ensure subsidiaries. Consideration for the disposal consisting of cash in the amount of HK$3,000,000 and cancellation of the Company's convertible notes in the amount of HK$12,254,400 was received in October 2005 following sanction of the disposal by the High Court.

* The Chinese name of the company is a direct translation of its Chinese registered name.

22. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**318**	380
Work in progress	**963**	1,078
Finished goods	**386**	625
Merchandised goods	**6,430**	16,473
	8,097	18,556

All inventories are stated at cost.

23. TRADE RECEIVABLES

The Group's credit terms granted to customers of Chinese and other medicines, health products and dried seafood products range between 30 and 90 days. The credit terms granted to customers of biotechnological and pharmaceutical products range between 60 and 180 days.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 3 months	**3,193**	4,117
4 to 6 months	**854**	109
7 to 12 months	**148**	407
13 to 24 months	**128**	11
Over 24 months	**23**	25
	4,346	4,669

24. DUE FROM INTERMEDIATE HOLDING COMPANIES

		Group		Company	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Due from Tin Ming	*(a)*	**12,110**	11,472	**12,110**	11,472
Due from Hong Tau	*(b)*	**1,204**	1,906	**1,204**	1,906
Less: Provisions for impairment		**(13,314)**	–	**(13,314)**	–
		–	13,378	**–**	13,378

Note:

(a) The amounts of HK$6,413,000 and HK$5,697,000 (including interest amounting to approximately HK$905,000 and HK$597,000, respectively) due from Tin Ming Management Limited ("Ting Ming") are unsecured and bear interest at prime rate plus 1% per annum. The amount of HK$6,413,000 was originally due on 28 March 2002 and was extended to 31 March 2003 and 31 March 2004, while the amount of HK$5,697,000 was due on 23 April 2003 and was extended to 31 March 2004. During the year, the Company agreed to further extend the repayment date to 31 March 2005. The Provisional Liquidators are pursuing all available avenues to recover the amounts due from Tin Ming including legal actions, if necessary. However, to be prudent, full provisions have been made for these receivables.

(b) The amount of approximately HK$1,204,000 due from Hong Tau Investment Ltd. ("Hong Tau") represents the sharing of the Company's financial restructuring costs by Hong Tau. The amount is unsecured and interest-free. The amount was originally due on 28 March 2002 and this was extended to 31 March 2004. During the year, the Company agreed to further extend the repayment date to 31 March 2005. On 14 August 2003, Hong Tau settled approximately HK$700,000 with the remaining balance to be settled on 31 March 2005. The Provisional Liquidators are pursing all available avenues to recover the amounts due from Hong Tau including legal action, if necessary. However, to be prudent, full provisions have been made for these receivables.

25. SHORT TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Listed Hong Kong equity investments, at market value:	**71**	2,720

26. TIME DEPOSITS – PLEDGED

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits – pledged *– Note 29(c)*	**30,000**	30,000	**30,000**	30,000

27. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 3 months	**5,788**	9,401
4 to 6 months	**1,020**	4,618
7 to 12 months	**207**	362
13 to 24 months	**12**	854
Over 24 months	**7,030**	6,799
	14,057	22,034

28. BANK AND OTHER BORROWINGS

		Group		Company	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current portion of bank and other borrowings	*29*	**134,086**	137,507	**50,254**	46,169
Current portion of finance lease payables	*30*	**68**	121	**–**	–
		134,154	137,628	**50,254**	46,169

29. BANK AND OTHER BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trust receipts loans, secured				
– *Note (a)*	**1,781**	1,976	**–**	–
Bank loans:				
Secured – *Notes (b) and (c)*	**77,343**	47,507	**–**	–
Unsecured	**–**	31,020	**–**	–
	79,124	80,503	**–**	–
Convertible notes:				
Bank convertible note, secured – *Note (d)*	**38,000**	38,000	**38,000**	38,000
Other convertible notes, unsecured – *Note (e)*	**12,254**	12,254	**12,254**	12,254
	50,254	50,254	**50,254**	50,254
Other loans, unsecured				
– *Note (f)*	**16,044**	26,203	**–**	–
	145,422	156,960	**50,254**	50,254
Bank and trust receipts loans repayable:				
Within one year or on demand	**79,124**	80,503	**–**	–
In the second year	**–**	–	**–**	–
In the third to fifth years, inclusive	**–**	–	**–**	–
Beyond five years	**–**	–	**–**	–
	79,124	80,503	**–**	–

29. BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Convertible notes repayable:				
Within one year or on demand	**50,254**	46,169	**50,254**	46,169
In the second year – *Note (e)*	**–**	4,085	**–**	4,085
In the third to fifth years, inclusive	**–**	–	**–**	–
	50,254	50,254	**50,254**	50,254
Other loans repayable:				
Within one year or on demand – *Note (f)*	**4,708**	10,835	**–**	–
In the second year – *Note (f)*	**11,336**	15,368	**–**	–
	16,044	26,203	**–**	–
Total bank and other borrowings	**145,422**	156,960	**50,254**	50,254
Portion classified as current liabilities *(Note 28)*	**(134,086)**	(137,507)	**(50,254)**	(46,169)
Long term portion	**11,336**	19,453	**–**	4,085

Notes:

(a) The Group's trust receipts loans were secured by one of the Group's investment properties with a carrying value of HK$2,700,000 (2003: HK$2,400,000) at the balance sheet date and a corporate guarantee executed by the Company. On 14 February 2005, the property was disposed of to an independent third party at the consideration of HK$2,850,000. Subsequent to the disposal, the corporate guarantee executed by the Company was cancelled.

(b) Details of the bank loans granted to the Group by certain banks as at the balance sheet date are summarised below:

		Group	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited)	*(i)*	**39,743**	39,987
Bank of Shanghai	*(ii)*	**9,400**	7,520
Shenzhen Development Bank Co. Ltd. *(see Note (c) below)*		**28,200**	–
		77,343	47,507

29. BANK AND OTHER BORROWINGS (Continued)

(i) The principal terms of the bank loans which were drawn down by China Vantage, a subsidiary on 27 April 2000 are summarised below:

Lender:	Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited)
Principal amount:	Tranche A facility – HK$39,986,711 Tranche B facility – HK$5,498,607
Interest:	The Tranche A facility bears an interest rate equal to the Hong Kong prime lending rate minus 1.5% per annum. The interest is payable each month. The Tranche B facility bears no interest.
Repayment:	The Tranche A facility is repayable in 4 annual instalments commencing 36 months after drawdown in the respective amounts of 10%, 20%, 30% and 40% of the principal amount. The Tranche B facility is repayable in 2 instalments, HK$2,400,000 on the date falling 12 months after drawdown and the residual balance repayable 12 months thereafter.

The bank loans were secured by:

- Certain of the Group's investment properties with an aggregate carrying value of HK$45,300,000 at the balance sheet date;
- assignment of rentals over certain of the Group's investment properties situated in Hong Kong;
- fixed and floating charges over the shares, undertakings, properties, assets and rights of certain of the Company's subsidiaries;
- charge over the share capital of certain of the Company's subsidiaries; and
- corporate guarantees executed by the Company and certain of its subsidiaries.

Pursuant to clause 7 of the loan agreement, the first repayment of the principal amount of the Tranche A facility of approximately HK$3,999,000 was due on 27 April 2003. China Vantage defaulted on the repayment of such instalment. In accordance with clause 17 of the aforementioned loan agreement, in the event of default, the Bank can declare the total outstanding sum payable under the loan agreement of approximately HK$39,987,000 as immediately due and payable. China Vantage has subsequently been negotiating with the Bank, firstly to waive its rights under the aforementioned clause 17 and, secondly to defer the repayment of such instalment together with another instalment, amounting to approximately HK$7,997,000 that fell due on 30 April 2004, to 30 June 2004. As the negotiation to obtain the extension has not been agreed by the Bank, the total loan balance of approximately HK$39,987,000 became immediately due and payable, and, accordingly, it is classified as a current liability in the balance sheet.

The Tranche B facility was fully repaid on 27 April 2002.

On 23 February 2004, Bank of China (Hong Kong) Limited notified the Company in writing that it had assigned the beneficial interest of its right, benefits and interest in and to the indebtedness owing by the Company to Umbrella Finance Company Limited which is now the beneficial owner of the loan.

The defaulted amount was fully repaid on 21 December 2004.

29. BANK AND OTHER BORROWINGS (Continued)

(ii) During the year, Hua Xin, a subsidiary obtained a bank loan amounting to approximately HK$2,820,000 (RMB3,000,000) from Bank of Shanghai to finance its working capital. The bank loan bears interest at 5.84% per annum and is repayable on 20 April 2004. The bank loan is secured by a building of Hua Xin with a carrying value of approximately HK$25,000,000 at the balance sheet date and a corporate guarantee given by Shenzhen Weiji Investment & Development Co., Ltd. ("Shenzhen Weiji"), a company in which a director of the Company, Mr. Sun Hiu Lu, is both a director and shareholder. Further details are included in Note 40(c) to the financial statements. On 29 April 2004, Hua Xin defaulted on the full repayment of the loan.

During the year, Hua Xin obtained another bank loan amounting to approximately HK$6,580,000 (RMB7,000,000) from Bank of Shanghai to finance its working capital. The bank loan bears interest at 5.84% per annum and is repayable on 27 November 2004. The bank loan is secured by a corporate guarantee given by Shenzhen Weiji, a company in which a director of the Company, Mr. Sun Hiu Lu, is both a director and shareholder. Further details are included in Note 40(c) to the financial statements. On 27 November 2004, Hua Xin defaulted on the full repayment of the loan.

(c) The Group's unsecured bank loans bear interest at rates ranging from 5.04% to 6.37% per annum, amongst which, a bank loan amounting to approximately HK$28,200,000 (RMB30,000,000) granted to Hua Xin by Shenzhen Development Bank Co. Ltd. ("Shenzhen Dev. Bank") was guaranteed by Shenzhen Delu Investment & Development Co., Ltd. ("Shenzhen Delu"), a company in which Mr. Sun Hiu Lu is a director. Further details of which are included in Note 40(b) to the financial statements.

On 29 October 2003, Hua Xin defaulted on the full repayment of the loan. On 31 October 2003, Shenzhen Dev. Bank agreed, in writing, its approval to defer the repayment to 8 May 2004. On 9 May 2004, Shenzhen Dev. Bank agreed in writing, its approval to further defer the repayment to 10 November 2004. On 29 December 2004, the defaulted amount was fully settled by the Company's pledged time deposit in Shenzhen Dev. Bank (see Note 41 (j)).

(d) The principal terms of the bank convertible note (the "Note") are summarised below:

Voting:	The noteholder is not entitled to attend or vote at any meetings of the Company.
Conversion price:	HK$0.10 per share, subject to adjustment
Interest:	4% per annum, payable semi-annually in arrears on dates falling 6 months and 1 year after the date of issue of the Note and on the respective dates falling every 6 months thereafter until the maturity date.
Repayment:	The Company is required to repay the principal amount outstanding by 6 semi-annual successive instalments on dates falling 6 months and 1 year after the second anniversary of the date of issue of the Note and on the anniversary of such dates of each year thereafter in the respective amounts of 5%, 5%, 10%, 10%, 35% and 35% of the principal amount outstanding.
Maturity:	The Company is required to repay the principal monies outstanding under the relevant Note to the noteholder together with accrued interest on the fifth anniversary of the date of issue of the Note.
Right of conversion:	The noteholder has the right to convert the whole or part of the principal amount of the Note into new ordinary shares of the Company at any time prior to maturity. Upon the full conversion of the Note at the conversion price, based on the existing capital structure, 400,000,000 new ordinary shares of the Company would be issued to the noteholder.

The Note was secured by:

- certain of the Group's investment properties with an aggregate carrying value of HK$45,300,000 at the balance sheet date;
- assignment of rentals over certain of the Group's investment properties situated in Hong Kong;
- fixed and floating charges over the shares, undertakings, properties, assets and rights of certain of the Company's subsidiaries;
- charge over the share capital of certain of the Company's subsidiaries; and
- corporate guarantees executed by certain of the Company's subsidiaries.

29. BANK AND OTHER BORROWINGS (Continued)

(d) (Continued)

The Note was issued to the Bank on 27 April 2000 following an ordinary resolution approving the issue of the Note passed by the shareholders at the Company's special general meeting held on 25 April 2000.

On 27 October 2002, the first repayment of the Note of HK$2,000,000, together with accrued interest became due, but was not repaid by the Company. According to the terms of the Note, the Bank was entitled to pronounce the full amount of the Note as due and payable immediately upon the presentation of a written notice to the Company. The Bank did not present such written notice to the Company, but instead, the Bank exercised its conversion rights to convert the principal amount of HK$2,000,000 into 20,000,000 ordinary shares of HK$0.10 each in the Company on 18 December 2002.

Pursuant to clause 5(a) the Note, the second and third instalment repayments of the principal amount of HK$2,000,000 and HK$4,000,000 fell due on 27 April 2003 and 27 October 2003, respectively. The Company defaulted on the repayments of both instalments. In accordance with clause 10 of the Note, in the event of default, the Bank can declare the then total outstanding sum payable under the Note of HK$38,000,000 as immediately due and payable. The Company has subsequently been negotiating with the Bank firstly, to waive its rights under clause 10 and secondly, to defer the repayments of the second and third instalments, together with the fourth instalment, amounting to HK$4,000,000 that falls due on 27 April 2004, to 30 June 2004. As the negotiation to obtain the extension has not yet been agreed by the Bank, the total balance of HK$38,000,000 is immediately due and payable and, accordingly, it is classified as a current liability in the balance sheet.

On 23 February 2004, Bank of China notified the company in writing that it had assigned the beneficial interest of its right, benefits and interest in and to the indebtedness owing by the Company to Umbrella Finance Company Limited which now is the beneficial owner of the Note.

(e) In the prior year, the Company acquired a subsidiary in Mainland China, Joinbest Investment Limited for a consideration of HK$15,254,400, of which HK$12,254,400 was satisfied by the issue of convertible notes of the Company. The principal terms of the unsecured other convertible notes are summarised below:

Issuer:	The Company
Principal amount:	HK$12,254,400
Voting:	The noteholders are not entitled to attend or vote at any meetings of the Company.
Conversion price:	HK$1.38 per share, subject to adjustment
Interest:	No interest is payable on the convertible notes.
Conversion and redemption:	At any time within the period of 1 year commencing on the day falling on the first anniversary of the date of issue of the convertible notes (which was 30 March 2002), the noteholders may: (1) exercise the conversion right to convert an amount representing one-third of the principal amount of the convertible notes into new ordinary shares of the Company; or (2) require the Company to redeem one-third of the principal amount of the convertible notes. At any time within the period of 1 year commencing on the day falling on the second anniversary of the date of issue of the convertible notes, the noteholders may: (1) exercise the conversion right to convert an amount representing two-thirds of the principal amount of the convertible notes into new ordinary shares of the Company; or (2) require the Company to redeem two-thirds of the principal amount of the convertible notes.

On 20 November 2003, the holders of the other convertible notes agreed, in writing, with the Company to defer the redemption of the first instalment of the principal amounts of approximately HK$4,085,000 to 1 April 2004. On 1 April 2004, the Company defaulted on the redemption of the first instalment of the principal amounts and, the total balance of HK$12,254,400 became immediately due and payable and, accordingly, it is classified under current liabilities in the balance sheet.

Subsequent to the balance sheet date, in October 2005, the holders of the convertible notes, as part of the consideration for this purchase of the Company's subsidiary, Joinbest Investment Limited, agreed to the cancellation of the convertible notes (see also Notes 21 and 41(h)).

29. BANK AND OTHER BORROWINGS (Continued)

(f)

	Note	2004 HK$'000	2003 HK$'000
Hua Xin	*(i)*	**16,044**	17,915
Ensure Chain		**–**	5,468
Ensure Medical		**–**	2,820
		16,044	26,203

(i) Included in Hua Xin's unsecured other loans are amounts of approximately HK$2,397,000 (2003: HK$2,256,000), HK$4,156,000 (2003: HK$6,082,000), and HK$3,290,000 (2003: HK$2,820,000) due to a director of Hua Xin, Shenzhen Weiji and a former shareholder of Hua Xin, respectively. The remaining balances of approximately HK$6,201,000 (2003: HK$3,937,000) were due to third parties. The loans due to a director of Hua Xin bears interest at 7% per annum. The loans due to a former shareholder of Hua Xin bears interest at 6% per annum. The other loans due to third parties bear interest ranging from 6% to 10% per annum. Further details of the loans obtained from Shenzhen Weiji are set out in Notes 40(c) to 40(e) to the financial statements.

30. FINANCE LEASE PAYABLES

The Group enters into hire purchase contracts for certain of its motor vehicles and office equipment for its retail business and daily business operations. These contracts are classified as finance leases and have remaining lease terms ranging from less than 1 year to 4 years.

At the balance sheet date, the total future minimum lease payments under hire purchase contracts and their present values were as follows:

	Minimum lease payments 2004 HK$'000	Minimum lease payments 2003 HK$'000	**Present value of minimum lease payments 2004 HK$'000**	Present value of minimum lease payments 2003 HK$'000
Amounts payable:				
Within one year	**91**	149	**68**	121
In the second year	**40**	90	**27**	68
In the third to fifth years, inclusive	**28**	69	**18**	46
Total minimum finance lease payments	**159**	308	**113**	235
Future finance charges	**(46)**	(73)		
Present value of lease obligations	**113**	235		
Less: Amount due from settlement within 12 months (shown under current liabilities)			**(68)**	(121)
Amount due for settlement after 12 months			**45**	114

31. PROVISION FOR LONG SERVICE PAYMENTS

Group

	HK$'000
At 1 April 2003	651
Reversal of unutilised amounts	(115)
At 31 March 2004	536
Portion classified as current liabilities	(186)
Long term portion	350

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in Note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

32. SHARE CAPITAL

Shares

	2004 ***HK$'000***	2003 *HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,403,796,698 (2003: 1,403,796,698) ordinary shares of HK$0.10 each	**140,379**	140,379

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2002	1,383,396,698	138,339	140,382	278,721
Share options exercised	400,000	40	312	352
Shares issued on conversion of the Note	20,000,000	2,000	–	2,000
At 31 March 2003 and 31 March 2004	1,403,796,698	140,379	140,694	281,073

32. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option scheme are included in Note 33 to the financial statements.

33. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme previously adopted by the Company (the "Old Scheme") expired on 5 November 2001. Despite that no further options shall be granted under the Old Scheme, the provisions of the Old Scheme shall remain in full force and effect in all other respects to govern all outstanding options granted prior to termination.

At the Company's annual general meeting held on 25 September 2001 (the "Adoption Date"), a new share option scheme (the "New Scheme") was approved and adopted and became effective on 6 November 2001 and, unless otherwise cancelled and amended, will remain in force for 10 years from that date. Eligible participants of the New Scheme include any executive director, non-executive director, employee, agent, consultant or representative of the Group who satisfies the selection criteria prescribed by the rules of the New Scheme.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the New Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company in issue as at the Adoption Date. The total number of shares issued and to be issued upon exercise of the options (whether exercised or outstanding) under the New Scheme in any 12-month period granted to each eligible participant must not exceed 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under the New Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted under the New Scheme to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company then in issue or with an aggregate value (based on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options granted will entitle the holders to subscribe for shares during such period as may be determined by the directors, which shall not be more than 10 years from the date of issue of the relevant options.

The exercise price of the share options under the New Scheme is determinable by the directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

33. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding during the year:

Name or category of participant	Number of share options At 1 April 2003	Granted during the year	Lapsed during the year	At 31 March 2004	Date of grant of share options	Exercise period of share options	Price of Company's shares** Exercise price of share options* HK$	At grant date of options HK$	At exercise date of options HK$
Directors									
Ms. Huang Shuyun	25,000,000	–	–	25,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	2,000,000	–	–	2,000,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	27,000,000	–	–	27,000,000					
Mr. Chu Kwan	25,200,000	–	–	25,200,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	1,000,000	–	–	1,000,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	26,200,000	–	–	26,200,000					
Mr. Sun Hiu Lu	27,000,000	–	–	27,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
Mr. Zhao Dake	27,000,000	–	–	27,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
Mr. Zhang Ke, Winston	3,000,000	–	–	3,000,000	10-7-2001	10-7-2001 to 9-7-2011	1.00	1.20	–
	1,500,000	–	–	1,500,000	22-2-2002	22-2-2004 to 21-2-2012	0.88	0.88	–
	1,500,000	–	–	1,500,000	22-2-2002	22-2-2005 to 21-2-2012	0.88	0.88	–
	6, 000,000	–	–	6, 000,000					
Mr. Melvin Wong	–	300,000	–	300,000	27-5-2003	27-5-2003 to 1-5-2013	0.380	0.355	–
	–	1,000,000	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
	–	1,300,000	–	1,300,000					

33. SHARE OPTION SCHEMES (Continued)

	Number of share options						Price of Company's shares**		
Name or category of participant	At 1 April 2003	Granted during the year	Lapsed during the year	At 31 March 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$	At grant date of options HK$	At exercise date of options HK$
Mr. Ng Wing Hang	–	300,000	–	300,000	27-5-2003	27-5-2003 to 1-5-2013	0.380	0.355	–
	–	1,000,000	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
	–	1,300,000	–	1,300,000					
Mr. Chu Yu Lin, David	–	1,000,000	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
Other employees In aggregate	1,700,000	–	(200,000)	1,500,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	40,000	–	–	40,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	2,000,000	–	(2,000,000)	–	9-11-2001	9-11-2001 to 8-11-2011	1.06	1.06	–
	2,100,000	–	(1,000,000)	1,100,000	22-2-2002	22-2-2002 to 21-2-2012	0.88	0.88	–
	5,840,000	–	(3,200,000)	2,640,000					
	119,040,000	3,600,000	(3,200,000)	119,440,000					

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosures as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Hong Kong Stock Exchange closing prices over all of the exercises of options within the disclosure category.

During the year, a total of 3,600,000 share options were offered to two independent non-executive directors of the Company in respect of their service to the Group. These share options, which have no vesting period, have exercise prices of HK$0.38 and HK$0.285 and an exercise period between 2 May 2003 and 1 May 2013. The price of the Company's shares at the date of offer was HK$0.355 and HK$0.280 respectively.

34. RESERVES

The details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 15.

The details of the movements in the Company's reserves are set out as follows:

	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2002	140,382	297	78,810	(340,402)	(120,913)
Issue of shares	312	–	–	–	312
Net loss for the year	–	–	–	(17,828)	(17,828)
At 31 March 2003 and beginning of year	140,694	297	78,810	(358,230)	(138,429)
Net loss for the year	–	–	–	(34,142)	(34,142)
At 31 March 2004	140,694	297	78,810	(392,372)	(172,571)

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2004	2003
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	**7,123**	–
Intangibles assets	**4,771**	–
Inventories	**369**	–
Trade and other receivables	**277**	–
Bank balances and cash	**2,624**	–
Due from shareholders	**3,927**	–
Trade and other payables	**(494)**	–
Minority interests	**(10,613)**	–
	7,984	–
Loss on disposal of subsidiary	**(1,404)**	–
	6,580	–
Satisfied by:		
Cash	**6,580**	–

Analysis of the net cashflow of cash and cash equivalents in respect of disposal of subsidiary:

	2004	2003
	HK$'000	*HK$'000*
Cash consideration	**6,580**	–
Cash and bank balances disposed	**(2,624)**	–
Net inflow of cash and equivalents in respect of the disposal of subsidiary	**3,956**	–

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

(b) Deconsolidation of subsidiaries

	2004	2003
	HK$'000	*HK$'000*
Net assets deconsolidated:		
Fixed assets	**1,898**	–
Goodwill	**13,414**	–
Intangibles assets	**1,316**	–
Inventories	**14,778**	–
Trade and other receivables	**17,309**	–
Bank balances and cash	**4,199**	–
Trade and other payables	**(25,932)**	–
Amount due to directors	**(2,218)**	–
Bank loan – unsecured	**(3,572)**	–
Hire purchase creditor	**(230)**	–
Other short term payables	**(9,835)**	–
Other loan – unsecured	**(470)**	–
Minority interests	**(197)**	–
	10,460	–
Classified as investments in securities *(see Note 21)*	**(10,460)**	–
Consideration	**–**	–
Satisfied by:		
Bank balances and cash	**–**	–

Analysis of the net cashflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries:

	2004	2003
	HK$'000	*HK$'000*
Cash and bank balances deconsolidated	**(4,199)**	–

36. CONTINGENT LIABILITIES

A full search for contingent liabilities of the Group and Company has not been conducted. However, lawsuits or winding-up petitions, if any, against the Group and the Company will be subject to a formal adjudication process, dealt with and compromised under the restructuring scheme.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities as at the balance sheet date.

37. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings, which are secured by assets of the Group, are included in Notes 29(a), (b), (c) and (d) to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 2 to 5 years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**947**	1,908
In the second to fifth years, inclusive	**–**	416
	947	2,324

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Lease for properties are negotiated for terms ranging from 1 to 20 years.

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

	Group		**Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**7,679**	10,617	**913**	1,860
In the second to fifth years, inclusive	**8,651**	9,137	**1,063**	430
After five years	**10,613**	11,520	**–**	–
	26,943	31,274	**1,976**	2,290

39. COMMITMENTS

In addition to the operating lease commitments detailed in Note 38(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contribution to a subsidiary in Mainland China	–	1,880
Authorised, but not contracted for:		
Donations to various research funds	**8,420**	8,420
	8,420	10,300

40. RELATED PARTY TRANSACTIONS

(a) As disclosed in Note 24 to the financial statements, as at the balance sheet date, the Group advanced HK$12,110,000 (2003: HK$11,472,000) and HK$1,204,000 (2003: HK$1,906,000) to Tin Ming and Hong Tau, the intermediate holding companies, respectively.

(b) As at 31 March 2004, Shenzhen Delu, a company in which Mr. Sun Hiu Lu is a director, has given a corporate guarantee in respect of a bank loan amounting to RMB30,000,000 (2003: RMB30,000,000) granted to Hua Xin, a subsidiary of the Company.

(c) During the year, Shenzhen Weiji, a company in which Mr. Sun Hiu Lu is both a director and shareholder, gave corporate guarantees in respect of bank loans of RMB10,000,000 (2003: RMB8,000,000) granted to Hua Xin.

(d) During the year, no additional loans were advanced by Shenzhen Weiji to Hua Xin. Loans with total outstanding balance of RMB4,421,000 (2003: RMB6,470,000) as at the balance sheet date are unsecured and repayable on 31 December 2005. All loans from Shenzhen Weiji bear interest from 6% to 7% per annum.

(e) On 28 April 2003, Shenzhen Weiji entered into an agreement with Bank of Shanghai to give a corporate guarantee amounting to a maximum of RMB38,000,000(2003: RMB38,000,000) for the period from 30 April 2003 to 29 April 2004, in respect of bank loans that were or will be granted to Hua Xin.

(f) On 29 October 2003, Hua Xin defaulted on the full repayment of the loan due to Shenzhen Development Bank Co. Ltd. ("SDB"). On 31 October 2003, SDB agreed, in writing, its approval to defer the repayment to 8 May 2004. On 9 May 2004, the Company's Hong Kong dollar time deposits of HK$30,000,000 placed with SDB was pledged to secure a bank loan of HK$28,200,000 granted to Hua Xin by SDB. And on the same day, SDB agreed in writing, its approval to further defer the repayment to 10 November 2004. On 29 December 2004, the defaulted amount was fully settled by the Company's pledged time deposit in SDB.

(g) Included in Hua Xin's unsecured other loans are amounts of approximately HK$2,397,000 (31 March 20004: HK$2,397,000), HK$4,156,000 (31 March 2004: HK$4,156,000) and HK$3,290,000 (31 March 2004: HK$3,290,000) due to a director of Hua Xin, Shenzhen Weiji, and a former shareholder of Hua Xin, respectively. The remaining balances of approximately HK$5,873,000 (31 March 2004: HK$6,201,000) were due to third parties. Of the loans due to a director of Hua Xin, HK$470,000 is interest-free, with the remaining balances bearing interest at 7% per annum. The loans due to Shenzhen Weiji bear interest from 6% to 7% per annum while the loans due to a former shareholder of Hua Xin bear interest at 6% per annum.

(h) On 31 March 2004, of Hua Xin's unsecured other loans, lenders of approximately HK$329,000 of the other loan balances that fell due before 31 March 2004, together with lenders of approximately HK$11,007,000 of the other loans that fall due on 31 December 2004, have agreed, in writing, their approval to defer the repayments to 31 December 2005. As a result of the loan extension arrangements, the total balances of approximately HK$11,336,000 will not be repayable within one year and, accordingly, are classified as non-current liabilities in the balance sheet. The remaining loan balances of approximately HK$4,379,000 due were either already due or repayable within one year and accordingly, are classified as current liabilities in the balance sheet.

41. POST BALANCE SHEET EVENTS

(a) Trading in the shares of the Company has been suspended since 5 August 2004 and will continue to be suspended until further notice.

(b) On 9 August 2004, a subsidiary of the Company, entered into a sale and purchase agreement with Hung Kee Enterprise, an independent third party, whereby the company agreed to dispose of its property situated at Shop C, Ground Floor, Hong Ping Mansion, Nos. 59, 59A, 61, and 65A Hip Wo Street Kowloon Hong Kong at the consideration of HK$16,500,000. Under the aforesaid disposal, the total consideration of HK$16,500,000 would be used for repayment of the mortgage loan of the aforesaid disposed property due and owing to Umbrella Finance Co., Ltd., the mortgagee of the Company in respect of the aforesaid disposed property.

(c) Subsequent to the balance sheet date, between August 2004 and February 2005, the Group disposed of four investment properties to third parties for an aggregate consideration of HK$45,250,000 realising a loss on disposal of approximately HK$3,406,000. HK$42,400,000 of the consideration was used to repay the outstanding mortgage loans on the properties.

(d) On 10 August 2004, judgment from a legal proceeding against the Company by Goldon Investment Limited ("Landlord") was delivered against the Company in the amount of HK$ 17,153,624.92 (the "Judgement debt") together with (1) interest to run on HK$ 2,249,142.60 at the annual rate of 1% over Hong Kong Prime from 31 March 1999 until 10 August 2004, and (2) interest to run on HK$ 14,904,482.32 from 1 December 2000 to 10 August 2004 at an annual rate 1% over Hong Kong Prime, and (3) thereafter interest to run on the entire amount of Judgment Debt at the judgment rate until full payment.

(e) On 18 August 2004, the board of directors of the Company announced that several legal proceedings had been instigated against Hua Xin, an indirect 57% owned subsidiary of the Company. The aggregate monetary amounts of the claims against Hua Xin are equal to approximately RMB 8,220,000 and USD 312,454.

(f) Upon hearing the application of the Bank of China (Hong Kong) Limited on 13 October 2004, the High Court appointed Mr. Kelvin Flynn and Mr. Cosimo Borrelli as Joint and Several Provisional Liquidators of the Company.

(g) Subsequent to the balance sheet date, in November 2004, the Provisional Liquidators consider that the company lost control of its subsidiary, Shanghai Hua Xin High Biotechnology Inc. ("Hua Xin").

(h) Subsequent to the balance sheet date, in June 2005, the Provisional Liquidators agreed to dispose of Joinbest Investment Limited to the minority shareholders of Guizhou Ensure Chain Pharmacy Co., Ltd. realising a profit on disposal of approximately HK$4,794,000 (see Note 21 and 29 above).

(i) Subsequent to the balance sheet date, in November 2005, the Provisional Liquidators agreed to dispose the Group's 57% equity interest in Hua Xin for a consideration of HK$15 million realising a gain on disposal of approximately HK$15.2 million. The disposal of Hua Xin also involves an assignment of debts to a third party of approximately (i) HK$0.6 million owing by Hua Xin to its fellow subsidiary, and (ii) HK$36.1 million owing by Hua Xin's immediate holding company to a fellow subsidiary.

(j) On 29 December 2004, approximately HK$28,587,000 of the Company's pledged time deposit of HK$30,000,000 was seized by Shenzhen Development Bank Co. Ltd. to settle its secured loan to Hua Xin (see Note 29(c)).

(k) On 25 February 2005, the Company submitted a proposal to the Listing Division setting out the principal terms of the proposed restructuring. On 15 August 2005, a final revised Resumption Proposal was submitted to the Listing Division. On 7 September 2005, a restructuring agreement was entered into by the Company and the Investor for the implementation of the restructuring proposal (see Note 2).

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Provisional Liquidators on 8 February 2006.