NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

1. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment property. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2001.

In the current period, the Group has adopted, for the first time, a number of new SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new accounting policies:–

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 April 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisition after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

2. SEGMENT INFORMATION

	Turnover Six months ended		**Contributions to profit from operations Six months ended**	
	30 September 2001	30 September 2000	**30 September 2001**	30 September 2000
	HK$	*HK$*	***HK$***	*HK$*
Agency fee income	**–**	3,497,375	**–**	337,375
Consultancy fee income	**4,235,795**	326,835	**907,795**	160,835
	4,235,795	3,824,210	**907,795**	498,210
Bank interest income			**1,618,232**	3,001,730
Other revenue			**537,153**	465,341
Unallocated corporate expenses			**(2,478,996)**	(3,126,220)
Profit from operations			**584,184**	839,061

All of the activities of the Group are based in the People's Republic of China (the "PRC"), excluding Hong Kong, and all of the Group's turnover and profit from operations except for bank interest income are derived from the PRC, excluding Hong Kong.

3. TAXATION

	Six months ended	
	30 September 2001	30 September 2000
	HK$	*HK$*
PRC income tax attributable to the Company's subsidiary	**173,594**	–
Share of taxation attributable to an associate	**274,137**	237,000
	447,731	237,000

No provision for Hong Kong Profits Tax has been made as the Group's income neither arise in, nor is derived from, Hong Kong.

PRC income tax is calculated at the applicable rates prevailing.

There is no significant unprovided deferred taxation for the period or at the balance sheet date.

4. EARNINGS PER SHARE

The calculation of the earnings per share is based on the following data:

	Six months ended	
	30 September 2001	30 September 2000
Earnings		
Net profit for the period	**HK$1,373,718**	HK$1,320,161
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**459,473,000**	459,553,000
Effect of dilutive potential ordinary shares – warrants	**–**	447,823
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**459,473,000**	460,000,823

No diluted earnings per share is presented because the exercise price of the Company's warrants is higher than the fair value per share during the period.

5. ADDITIONS TO PLANT AND EQUIPMENT AND DEPRECIATION

During the period, the Group spent HK$82,318 (HK$1,000 for the six months ended 30 September 2000) on additions to plant and equipment and depreciation of HK$331,541 (HK$344,290 for the six months ended 30 September 2000) was charged to the income statement in respect of the Group's plant and equipment.

6. INTERESTS IN ASSOCIATES

	30 September 2001 *HK$*	31 March 2001 *HK$*
Share of net assets	**45,002,548**	40,571,687
Goodwill on acquisition of an associate	**4,281,162**	–
	49,283,710	40,571,687

During the period, the Group entered into agreements to acquire a 49% equity interest in Yunnan Meng Sheng Pharmaceutical Co Limited ("Meng Sheng Pharmaceutical") and to inject further capital into Meng Sheng Pharmaceutical. The total consideration amounted to approximately RMB7.84 million (approximately HK$7.33 million). Meng Sheng Pharmaceutical is a company established in the PRC and is engaged in the R&D, manufacture and sale of biotechnology products.

7. TRADE AND OTHER RECEIVABLES

The Group has a defined credit policy to its trade customers.

A breakdown of trade and other receivables and an aged analysis of trade receivables are as follows:

	30 September 2001 *HK$*	31 March 2001 *HK$*
Trade receivables, within 30 days	**1,824,426**	–
Dividends receivable	**–**	7,311,629
Other receivables	**1,143,138**	1,413,348
	2,967,564	8,724,977