1. CORPORATE INFORMATION

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

- marketing and distribution of pharmaceutical products, health care and nutritional products, and medical appliances and equipment
- development, manufacture and distribution of pharmaceutical products
- commercial exploitation of gene inventions

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment for fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurements and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting those SSAPs and Interpretation are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of this revised SSAP. The revised requirements have not had a material effect on the amounts previously recorded in the financial statements and therefore, no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 25 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments, and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets. The additional disclosures that it requires under this SSAP are detailed in note 13 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of these SSAP and Interpretation has not resulted in a prior year adjustment for the reasons detailed in note 22 to the financial statements. The required new additional disclosures are included in note 22 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2002. 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 have been eliminated on consolidation.

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 Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; and

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

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 a period up to a maximum of twenty years.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new 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 reserves, 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.

Fixed assets and depreciation

Fixed assets 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. The principal annual rates used for this purpose are as follows:

Medium and short term leasehold land and buildings outside Hong Kong	Over the lease terms
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 30%
Motor vehicles	20%

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Construction in progress represents fixed assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Intangible assets

Intangible assets, which comprise rights to technical knowhow and trademarks, and rights to commercially exploit certain gene inventions, are stated at cost less accumulated amortisation and any impairment losses.

The cost of acquiring the rights to technical knowhow for the development and production of new pharmaceutical products is amortised on the straight-line basis over the estimated economic lives of the knowhow of a maximum of five years commencing in the year when the knowhow is available for use. The cost of acquiring the rights to commercially exploit certain gene inventions is amortised over the lives of the rights granted for the gene inventions of a period up to a maximum of twenty years. The cost of acquiring the trademarks is amortised on a straight-line basis over the estimated economic lives of the trademarks of a period up to a maximum of twenty years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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.

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 is estimated. An asset's recoverable amount is calculated as 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.

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.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

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 lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

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. The MPF Scheme has operated since 1 December 2000. 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.

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on a certain percentage of the salaries of the relevant subsidiaries' employees, are charged to the profit and loss account in the period to which they relate and represent the amount of contributions payable by these subsidiaries to this scheme.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. 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 they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the manufacturing segment engages in the development, manufacture and sale of pharmaceutical products;

(b) the trading segment engages in the marketing and distribution of imported pharmaceutical products, health care and nutritional products, and medical appliances and equipment; and

(c) the development segment engages in the commercial exploitation of certain gene inventions and development of genome-related technology.

In determining the Group's geographical segments, revenues 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. No geographical segment information is presented as over 90% of the Group's revenue and results are derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Manufacturing		Trading		Development		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue								
Sales to external customers	82,686	58,053	116,813	77,106	–	–	199,499	135,159
Segment results	28,470	16,154	30,526	20,075	(792)	–	58,204	36,229
Interest income							752	793
Unallocated expenses							(7,364)	(9,814)
Profit from operating activities							51,592	27,208
Finance costs							(2,530)	(1,766)
Profit before tax							49,062	25,442
Tax							(3,882)	(3,313)
Profit before minority interests							45,180	22,129
Minority interests							(3,178)	(1,589)
Net profit from ordinary activities attributable to shareholders							42,002	20,540
Segment assets	147,435	94,144	91,131	70,470	94,208	–	332,774	164,614
Unallocated assets							34,682	28,367
Bank overdrafts included in segment assets							13,199	10,587
Total assets							380,655	203,568
Segment liabilities	54,080	25,150	32,959	34,268	–	–	87,039	59,418
Unallocated liabilities							29,546	480
Bank overdrafts included in segment assets							13,199	10,587
Total liabilities							129,784	70,485
Other segment information:								
Capital expenditure	30,053	622	150	109	95,000	–	125,203	731
Unallocated capital expenditure							34	6
							125,237	737
Depreciation and amortisation	3,794	3,332	91	121	792	–	4,677	3,453
Unallocated depreciation and amortisation							866	879
							5,543	4,332
Other non-cash expenses	–	3,000	2,965	1,324	–	–	2,965	4,324

5. TURNOVER

Turnover represents the invoiced value of goods sold, net of trade discounts and returns, and after elimination of all significant intra-group transactions.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	113,743	73,743
Staff costs (excluding directors' remuneration, note 8):		
Wages and salaries	13,332	11,178
Provident fund contributions	98	86
	13,430	11,264
Depreciation	3,821	3,468
Amortisation of intangible assets	1,722	864
Provision for bad and doubtful debts	703	4,324
Auditors' remuneration	770	740
Minimum lease payments under operating leases for land and buildings	1,476	1,268
Loss on deemed partial disposal and partial disposal of equity interest in a subsidiary	691	–
Loss/(gain) on disposal of fixed assets	61	(5)
Exchange losses/(gains), net	(244)	641
Interest income	(752)	(793)

Cost of inventories sold includes HK$3,416,000 (2001: HK$4,202,000) relating to staff costs, depreciation and amortisation of intangible assets, which is also included in the respective total amounts disclosed separately above for these types of expenses.

7. FINANCE COSTS

	Group	
	2002 HK$'000	2001 HK$'000
Interest expense on:		
Bank overdrafts and loans wholly repayable within five years	2,530	1,236
Other loans	–	530
	2,530	1,766

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	280	20
Independent non-executive directors	80	–
	360	20
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	3,148	3,940
Pension scheme contributions	12	3
	3,160	3,943
	3,520	3,963

The number of directors whose remuneration fell within the bands set out below is as follows:

	Number of directors	
	2002	2001
Nil to HK$1,000,000	12	11
HK$1,000,001 to HK$1,500,000	2	–
	14	11

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

Five highest paid employees

The five highest paid employees during the year included four (2001: Four) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining highest paid, non-director employee (2001: One), which fell within the nil – HK$1,000,000 band are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	517	455

During the year, no emoluments were paid by the Group to the directors, or the highest paid, non-director employee as an inducement to join or upon joining the Group, or as compensation for loss of office (2001: Nil).

In the opinion of the directors of the Company, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 March 2002 and 2001.

9. TAX

	Group 2002 HK$'000	Group 2001 HK$'000
Current provision:		
Hong Kong	200	–
Overseas	3,500	3,313
Underprovision in the prior year:		
Hong Kong	182	–
Tax charge for the year	3,882	3,313

Hong Kong profits tax has been provided at the rate of 16% (2001: Nil) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits of subsidiaries operating overseas during the year have been calculated at the rates of taxes applicable in the respective jurisdictions, based on existing legislation, interpretations and practices.

No deferred tax has been provided because the Company and the Group had no significant timing differences at the balance sheet date (2001: Nil).

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company amounted to HK$8,353,000 (2001: net loss of HK$3,923,000).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$42,002,000 (2001: HK$20,540,000) and the weighted average of 1,952,356,000 (2001: 1,900,000,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2001 and 2002 have not been calculated as no diluting events existed during these two years.

12. FIXED ASSETS

Group

	Leasehold land and buildings outside Hong Kong HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 April 2001	48,232	–	13,556	6,287	1,840	69,915
Additions	475	28,783	635	344	–	30,237
Disposals	–	–	–	(200)	(59)	(259)
At 31 March 2002	48,707	28,783	14,191	6,431	1,781	99,893
Accumulated depreciation:						
At 1 April 2001	2,498	–	3,032	2,455	956	8,941
Provided during the year	1,336	–	1,644	608	233	3,821
Disposals	–	–	–	(139)	(59)	(198)
At 31 March 2002	3,834	–	4,676	2,924	1,130	12,564
Net book value:						
At 31 March 2002	44,873	28,783	9,515	3,507	651	87,329
At 31 March 2001	45,734	–	10,524	3,832	884	60,974

An analysis of the Group's cost of land and buildings outside Hong Kong at the balance sheet date is as follows:

	2002 HK$'000	2001 HK$'000
Leasehold land and buildings held under:		
Medium term leases	45,923	45,448
Short term leases	2,784	2,784
	48,707	48,232

At 31 March 2002, certain leasehold land and buildings, and plant and machinery of a subsidiary of the Company were pledged to secure general banking facilities granted to the Group (note 19).

13. INTANGIBLE ASSETS

Group

	Trademarks HK$'000	Technical knowhow HK$'000	Gene inventions rights HK$'000	Total HK$'000
Cost:				
At 1 April 2001	2,500	9,091	–	11,591
Additions	–	–	95,000	95,000
At 31 March 2002	2,500	9,091	95,000	106,591
Accumulated amortisation:				
At 1 April 2001	125	739	–	864
Provided during the year	125	805	792	1,722
At 31 March 2002	250	1,544	792	2,586
Net book value:				
At 31 March 2002	2,250	7,547	94,208	104,005
At 31 March 2001	2,375	8,352	–	10,727

At 31 March 2002, the Group had rights to commercially exploit 19 gene inventions with aggregate carrying value of HK$94,208,000 (2001: Nil). The Group is in the process of applying patents in respect of these gene inventions rights. Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow") and Fudan Biotech (Hong Kong) Limited ("Fudan Biotech") have warranted that in the event that the gene inventions are prohibited from being commercially exploited due to the patents being registered in the PRC by other persons at any time for a period of three years commencing from the completion of the acquisition of the entire issued capital of Right & Rise Limited ("R&R") by the Group on 6 February 2002, HK Biowindow and Fudan Biotech have agreed to compensate the Group HK$5 million less any net income derived from each of those gene inventions so prohibited.

The remaining amortisation period of the cost of the gene inventions rights is nineteen years and ten months as at 31 March 2002.

14. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	52,990	52,990
Due from subsidiaries	142,423	68,346
Due to subsidiaries	(32,826)	(24,088)
Loan to a subsidiary	1,091	1,091
	163,678	98,339

The balances with subsidiaries are unsecured and interest-free. Except for an amount due from a subsidiary of HK$13,929,000 (2001: HK$13,929,000), which is repayable on 21 April 2014, the other balances have no fixed terms of repayment.

The loan to a subsidiary is unsecured, bears interest at 12% per annum and has no fixed terms of repayment.

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Directly held					
Extrawell (BVI) Limited	British Virgin Islands	US$10,000 Ordinary	100	100	Investment holding
Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP") #	People's Republic of China	RMB33,000,000	60	60	Development, manufacture and sale of pharmaceutical products
Indirectly held					
Extrawell Enterprises Limited	Hong Kong	HK$20 Ordinary HK$1,000,000 Non-voting deferred*	100	100	Investment holding and provision of agency services
South Asia Pharmaceutical (China) Limited	British Virgin Islands/ Malaysia	US$50,000 Ordinary	100	100	Marketing and distribution of pharmaceutical products, and medical appliances and equipment
Changchun Extrawell Pharmaceutical Co., Ltd. ("CEP") ##	People's Republic of China	RMB41,636,000 (2001: RMB7,980,000)	68	80	Development, manufacture and sale of pharmaceutical products
GSA Services (L) Bhd.	Malaysia	US$1,000	100	100	Investment holding
Austcow Limited	Malaysia	US$1,000	90	90	Investment holding and trading of health care and nutritional products
Australia Austcow Enterprise Pty. Ltd.	Australia	AUD10 Ordinary	90	90	Trading of health care and nutritional products

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Best-Bio Developments Limited ("Best-Bio") **	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Right & Rise Limited ***	British Virgin Islands	US$50,000 Ordinary	100	–	Holding of gene inventions rights

* The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

** This subsidiary was newly incorporated during the year.

*** This subsidiary was acquired during the year (note 23(c)).

\# JECP was established by the Group and its partner in the PRC for a period of fifteen years commencing from the date of the issuance of its business licence on 22 April 1999. In accordance with the joint venture agreement, the Group is entitled to share the results of JECP and, upon termination of its joint venture agreement, to take back the assets contributed by it, and is responsible for its share of the debts and liabilities, according to its equity interests therein.

\## CEP was established by the Group and its partner (the "Existing Partner") in the PRC for a period of fifteen years from the date of the issuance of its business licence on 8 August 1992. On 19 October 2001, CEP increased its registered capital from RMB7,980,000 to RMB30,680,000 which was satisfied by capital injections from two new partners, and reinvestment by the Group and the Existing Partner. On 19 October 2001, after the above increase in registered capital, the Group disposed of 5.49% of its equity interest in CEP to two additional new partners. On 31 October 2001, CEP further increased its registered capital from RMB30,680,000 to RMB41,636,000. As a result of the above capital transactions, the Group's equity interest in CEP decreased from 80% to 68% thereafter. In accordance with the new joint venture agreement, the Group is entitled to share the results of CEP and, upon termination of the joint venture agreement on 8 August 2007, to take back the assets contributed by it, and is responsible for its share of the debts and liabilities, according to its equity interests therein.

The above table lists the subsidiaries of the Company which, in the opinion of directors, 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 directors, result in particulars of excessive length.

15. INVENTORIES

	Group 2002 HK$'000	2001 HK$'000
Raw materials	1,782	1,504
Work in progress	443	720
Finished goods	9,503	10,402
	11,728	12,626

At the balance sheet date, no inventories were stated at net realisable value (2001: Nil).

16. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 120 days, extending up to one year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The ageing of the Group's accounts receivable is analysed as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	80,546	57,881
Between 91 to 180 days	28,983	9,310
Between 181 to 365 days	3,973	8,283
Between 1 to 2 years	2,399	3,171
Over 2 years	3,807	7,129
	119,708	85,774
Less: Provision for bad and doubtful debts	(11,383)	(10,980)
	108,325	74,794

Included in the Group's accounts receivable is an amount due from a subsidiary of a minority equity holder of a subsidiary of the Company of HK$5,913,000 (2001: Nil), which is repayable on similar terms to those offered to the major customers of the Group (note 27(c)).

17. ACCOUNTS AND BILLS PAYABLE

The ageing of the Group's accounts and bills payable is analysed as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	5,719	1,641
Between 91 to 180 days	92	2,231
Between 1 to 2 years	–	1
Over 2 years	78	75
	5,889	3,948

18. DUE TO MINORITY EQUITY HOLDERS

The amounts due to minority equity holders are unsecured and interest-free. Except for an amount due to a minority equity holder of HK$9,091,000 (2001: HK$9,091,000), which is repayable on 21 April 2014, the other balances are repayable on demand.

19. INTEREST-BEARING BANK BORROWINGS

	Group 2002 HK$'000	Group 2001 HK$'000
Bank overdrafts, secured	13,199	10,587
Trust receipt loans, secured	8,621	9,233
Bank loans, secured	25,472	–
	47,292	19,820

At 31 March 2002, the Group's banking facilities were supported by the following:

(a) the pledge of the Group's fixed deposits of HK$26,480,000 (2001: HK$13,345,000);

(b) corporate guarantees from the Company and certain subsidiaries of the Company; and

(c) legal charges over certain leasehold land and buildings, and plant and machinery of a subsidiary of the Company.

20. PROMISSORY NOTE

During the year, the Group issued a promissory note of HK$27,500,000 to HK Biowindow as part of the consideration for the acquisition of the entire issued capital of R&R (note 27(b)). The promissory note is unsecured, interest-free and is repayable on or before 6 February 2003.

21. SHARE CAPITAL

	Company 2002 HK$'000	Company 2001 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	200,000	200,000
Issued and fully paid:		
2,170,000,000 (2001: 1,900,000,000) ordinary shares of HK$0.01 each	21,700	19,000

A summary of the movements in the issued share capital of the Company during the year is as follows:

	Number of shares issued ('000)	Par value HK$'000
Balance at 1 April 2000, 31 March 2001 and 1 April 2001	1,900,000	19,000
Issue of shares (Note)	270,000	2,700
Balance at 31 March 2002	2,170,000	21,700

Note: Pursuant to three subscription agreements, and a sale and purchase agreement dated 6 December 2001 and 9 December 2001 (as amended by a supplemental agreement dated 13 December 2001), respectively, a total of 120,000,000 and 150,000,000 ordinary shares of HK$0.01 each of the Company were issued to three independent investors and two related companies, respectively, at HK$0.25 per share. The 120,000,000 and 150,000,000 ordinary shares were issued for cash of HK$30,000,000 and as consideration of HK$37,500,000 for partial settlement for the acquisition of R&R (note 27 (b)).

21. SHARE CAPITAL (continued)

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

Up to 31 March 2002, no share options have been granted under the Scheme.

22. RESERVES

Group

	Share premium HK$'000	Capital reserve* HK$'000	Contributed surplus# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2000	19,321	601	4,839	54,829	79,590
Transfer to capital reserve	–	591	–	(591)	–
Net profit for the year	–	–	–	20,540	20,540
At 31 March 2001 and 1 April 2001	19,321	1,192	4,839	74,778	100,130
Issue of shares	64,800	–	–	–	64,800
Share issue expenses	(1,662)	–	–	–	(1,662)
Transfer to capital reserve	–	876	–	(876)	–
Reversal of goodwill on deemed partial disposal and partial disposal of equity interest in a subsidiary	–	–	–	235	235
Net profit for the year	–	–	–	42,002	42,002
At 31 March 2002	82,459	2,068	4,839	116,139	205,505

* In accordance with the relevant the PRC regulations, CEP and JECP may transfer part of their profit after tax, at the discretion of their boards of directors, to capital reserve. Subject to certain restrictions set out in the relevant the PRC regulations and the articles of association of CEP and JECP, the capital reserve may be used to offset losses or for capitalisation as paid-up capital.

\# The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in 1999, over the nominal value of the share capital of the Company issued in exchange therefor.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to the Group's accounting period beginning on 1 April 2001, was HK$8,062,000 and HK$7,827,000, as at 1 April 2001 and 31 March 2002, respectively. The goodwill, which arose in the prior years, is stated at its cost.

22. RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2000	19,321	64,636	972	84,929
Net loss for the year	–	–	(3,923)	(3,923)
At 31 March 2001 and 1 April 2001	19,321	64,636	(2,951)	81,006
Issue of shares	64,800	–	–	64,800
Share issue expenses	(1,662)	–	–	(1,662)
Net profit for the year	–	–	8,353	8,353
At 31 March 2002	82,459	64,636	5,402	152,497

The contributed surplus of the Company represents the excess of the then combined net asset value of the subsidiaries acquired pursuant to the Group reorganisation in 1999 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002 HK$'000	2001 HK$'000
Profit from operating activities	51,592	27,208
Interest income	(752)	(793)
Depreciation	3,821	3,468
Amortisation of intangible assets	1,722	864
Loss/(gain) on disposal of fixed assets	61	(5)
Loss on deemed partial disposal and partial disposal of equity interest in a subsidiary	691	–
Provision for bad and doubtful debts	703	4,324
Decrease in inventories	898	6,685
Increase in accounts receivable	(34,234)	(33,941)
Decrease/(increase) in prepayments, deposits and other receivables	(6,849)	7,159
Increase/(decrease) in trust receipt loans	(2,879)	4,868
Increase in accounts and bills payable, and accrued liabilities and other payables	4,773	995
Net cash inflow from operating activities	19,547	20,832

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital and share premium account HK$'000	Bank and other borrowings HK$'000	Minority interests and amounts due to minority equity holders HK$'000
Balance at 1 April 2000	38,321	6,363	13,868
Net cash inflow/(outflow) from financing	–	(6,363)	898
Share of profit for the year	–	–	1,589
Increase in amount due to a minority equity holder	–	–	1,504
Dividend distributed to a minority equity holder	–	–	(1,504)
Balance at 31 March 2001 and 1 April 2001	38,321	–	16,355
Net cash inflow from financing	28,338	25,472	–
Acquisition of a subsidiary (note 23(c))	37,500	–	–
Share of profit for the year	–	–	3,178
Capital contributed by minority equity holders of a subsidiary	–	–	9,624
Dividend distributed to a minority equity holder	–	–	(3,998)
Decrease in an amount due to a minority equity holder	–	–	(1,192)
Deemed partial disposal of equity interest in a subsidiary	–	–	(942)
Partial disposal of equity interest in a subsidiary	–	–	1,851
Balance at 31 March 2002	104,159	25,472	24,876

(c) Acquisition of a subsidiary

	2002 HK$'000	2001 HK$'000
Net assets acquired:		
Intangible assets	95,000	–
Satisfied by:		
Cash	30,000	–
Issue of shares	37,500	–
Issue of a promissory note	27,500	–
	95,000	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration	30,000	–

Except for the above cash outflow of HK$30,000,000 (2001: Nil), the subsidiary acquired during the year had no significant impact on the Group in respect of the cash flows from the operating activities, investing activities, financing activities, net returns on investments and servicing of finance and tax.

The subsidiary acquired during the year had no turnover and had contributed loss attributable to shareholders of the Group of HK$792,000 for the year.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Major non-cash transactions

(i) During the year, a dividend of HK$3,998,000 (2001: Nil) distributed by CEP to its minority equity holder and an amount due to a minority equity holder of the Group of HK$1,192,000 were capitalised as additional paid-up capital of CEP.

(ii) During the year, the Company issued 150,000,000 ordinary shares at HK$0.25 each to two related companies for a total consideration, before expenses, of HK$37,500,000 as partial settlement of the consideration for the acquisition of the entire issued capital of R&R.

(iii) During the year ended 31 March 2001, a dividend of HK$1,504,000 distributed by CEP to its minority equity holder was settled through the current account with the minority equity holder.

24. CONTINGENT LIABILITIES

As at 31 March 2002, the Group had bills discounted with recourse of approximately HK$16,556,000 (2001: Nil).

As at 31 March 2002, the Company had provided corporate guarantees to banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK$47,292,000 (2001: HK$22,029,000) as at the balance sheet date.

25. OPERATING LEASE ARRANGEMENTS

The Group leased certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to two years.

At 31 March 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002 HK$'000	2001 HK$'000 (Restated)
Within one year	–	914
In the second to fifth years, inclusive	–	18
	–	932

The Group and the Company had no non-cancellable operating lease arrangements as at 31 March 2002 (2001: Nil).

SSAP 14, which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee have been restated to conform with the current year's presentation.

26. COMMITMENTS

At 31 March 2002, the Group had the following commitments in respect of the construction of a new manufacturing plant in the PRC:

	2002 HK$'000	2001 HK$'000
Contracted for	4,329	3,000
Authorised, but not contracted for	–	29,455
	4,329	32,455

The Company had no significant commitments as at 31 March 2002 (2001: Nil).

27. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid rental expenses amounting to HK$811,000 (2001: HK$703,000) to Extrawell Holdings Limited ("EHL") for the leasing of properties in Hong Kong for use as office premises. EHL is a related company of the Group in which Messrs. Ho Chin Hou, Ho Yu Ling and Li Qiang, three of the directors and/or beneficial shareholders of the Company, have beneficial interests. The rental expenses were determined by the directors with reference to the then prevailing market conditions.

(b) During the year, the Group acquired the entire issued capital of R&R from HK Biowindow and Fudan Biotech (the "Acquisition") for a consideration of HK$95,000,000. HK Biowindow and Fudan Biotech are related companies of the Group of which Dr. Mao Yu Min ("Dr. Mao") and Dr. Xie Yi ("Dr. Xie"), two of the directors and substantial shareholders of the Company, have beneficial interests. The Company allotted and issued a total of 150,000,000 new ordinary shares of HK$0.01 each for a total consideration of HK$37,500,000 to HK Biowindow and Fudan Biotech, and the Group issued a non-interest bearing promissory note of HK$27,500,000 to HK Biowindow as part of the consideration for the Acquisition. The remaining balance of the consideration of HK$30,000,000 was satisfied by cash. The consideration of the Acquisition was determined by the directors with reference to the fair value of R&R.

Details of the transaction are also set out in the circular of the Company dated 11 January 2002.

(c) During the period from January 2002 to February 2002, JECP sold finished goods to Jilin Fuda Pharmaceutical Distribution Co. Ltd. ("Jilin Fuda"), a subsidiary of its minority equity holder, for an aggregate consideration of approximately HK$5,913,000 (2001: Nil) for the distribution of the finished goods by Jilin Fuda in the northern territory of the PRC. The directors consider that the sales were made according to the published prices and conditions similar to those offered to the major customers of JECP.

28. POST BALANCE SHEET EVENTS

The following events took place subsequent to the balance sheet date:

(i) On 15 May 2002, Best-Bio entered into a conditional agreement with HK Biowindow to acquire 55% of the issued share capital of Gene Generation Limited ("GGL") from HK Biowindow for a total consideration of HK$55 million. GGL, a company incorporated in the British Virgin Islands, is an investment holding company. The subsidiaries of GGL are principally engaged in the research on genome-related technology, and the development and manufacturing of genechips.

Details of the acquisition, which constituted a major transaction and connected transactions, are also set out in the circular of the Company dated 21 June 2002.

(ii) On 6 June 2002, after the placement of 120,000,000 shares of the Company by JNJ Investments Limited ("JNJ Investments") to certain independent investors, the Company placed 120,000,000 new shares to JNJ Investments at HK$0.45 per share for total proceeds, before related issuance expenses, of HK$54 million.

JNJ Investments, a company incorporated in the British Virgin Islands, is a substantial shareholder of the Company. JNJ Investments is beneficially owned by Dr. Mao and Dr. Xie, two of the directors of the Company.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 4 July 2002.