1. CORPORATE INFORMATION

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

- marketing and distribution of pharmaceutical products, healthcare and nutritional products, and medical appliances and equipment

- development, manufacture and sale of pharmaceutical products

- commercial exploitation of gene inventions

- research on genome related technology and development and manufacture of genechips (commenced during the year)

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") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

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

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statement is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONT'D)

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of these changes are included in the accounting policies for "Foreign currencies" and "Cash and cash equivalents" in note 3 and in note 31(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option schemes, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

3. 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. 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 2003. 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.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries (cont'd)

The results of 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.

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, directly or indirectly, over the joint venture company;

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

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, 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.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in jointly-controlled entities 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a 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 investments 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.

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 assignment of technical knowhow, when the technology is transferred to the buyer; and

(c) 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, jointly-controlled entities and associates 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 20 years. In the case of jointly-controlled and associates entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separate identifiable asset on the consolidated balance sheet.

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 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill (cont'd)

On disposal of subsidiaries, jointly-controlled entities or associates, 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, other than 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. 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 (CONT'D)

Fixed assets and depreciation (cont'd)

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.

General pharmaceutical products

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 new pharmaceutical products are put into commercial production.

Genome related technology

The cost of acquiring the rights to technical knowhow for the development and production of genome related products is amortised on the straight-line basis over the estimated economic lives of the knowhow of a period up to a maximum of 20 years.

Trademarks

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 20 years.

Gene inventions rights

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 20 years.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefits

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.

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 2003 and 2002.

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. 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 established in Mainland China are members of the state-managed retirement benefits scheme operated by the government of Mainland China. 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.

Share option schemes

The Company operates a share option scheme 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 scheme 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 cost. 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 lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities 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.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, but has had no material effect on the amounts previously reported in prior year's financial statements.

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.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 31(a) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents (cont'd)

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

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 the 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, healthcare and nutritional products, and medical appliances and equipment; and

(c) the gene development segment engages in the commercial exploitation of certain gene inventions, the research on genome related technology, and the development and manufacture of genechips.

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.

4. SEGMENT INFORMATION (CONT'D)

Business segments

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

	Manufacturing		Trading		Gene development		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue								
Sales to external customers	66,882	82,686	125,257	116,813	23,384	–	215,523	199,499
Segment results	5,976	28,470	32,611	30,526	24,727	(792)	63,314	58,204
Interest income							1,231	752
Unallocated expenses							(7,189)	(7,364)
Profit from operating activities							57,356	51,592
Finance costs							(3,078)	(2,530)
Share of loss of an associate					(635)	–	(635)	–
Profit before tax							53,643	49,062
Tax							(914)	(3,882)
Profit before minority interests							52,729	45,180
Minority interests							(6,040)	(3,178)
Net profit from ordinary activities attributable to shareholders							46,689	42,002

4. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Manufacturing		Trading		Gene development		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	157,138	147,435	80,449	91,131	272,429	94,208	510,016	332,774
Investment in an associate	–	–	–	–	8,974	–	8,974	–
Unallocated assets							73,302	34,682
Bank overdrafts included in segment assets							7,073	13,199
Total assets	157,138	147,435	80,449	91,131	281,403	94,208	599,365	380,655
Segment liabilities	54,687	54,080	24,411	32,959	31,943	–	111,041	87,039
Unallocated liabilities							15,773	29,546
Bank overdrafts included in segment assets							7,073	13,199
Total liabilities							133,887	129,784
Other segment information:								
Capital expenditure	5,616	30,053	476	150	119,488	95,000	125,580	125,203
Unallocated capital expenditure							559	34
							126,139	125,237
Depreciation and amortisation	4,382	3,794	316	91	11,711	792	16,409	4,677
Unallocated depreciation and amortisation							660	866
							17,069	5,543
Other non-cash expenses	9,892	–	46	2,965	–	–	9,938	2,965
Unallocated other non-cash expenses							649	–
							10,587	2,965

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and proceeds from the assignment of technical knowhow. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2003 HK$'000	2002 HK$'000
Cost of inventories sold		118,313	113,743
Staff costs (excluding directors' remuneration, note 8):			
Wages and salaries		16,976	13,332
Pension scheme contributions		154	98
		17,130	13,430
Depreciation	12	7,904	3,821
Amortisation of intangible assets*	13	8,799	1,722
Amortisation of goodwill**	14	366	–
Provision for bad and doubtful debts		9,797	703
Auditors' remuneration		950	770
Minimum lease payments under operating leases for land and buildings		2,918	1,476
Research costs		2,152	62
Loss on deemed partial disposal and partial disposal of equity interest in a subsidiary		–	691
Exchange loss/(gain), net		466	(244)
Loss on disposal of fixed assets		790	61
Gain on disposal of intangible assets		(1,508)	–
Gain on disposal of subsidiaries	15, 31(c)	(1,897)	–
Gain on partial disposal of a subsidiary	15	(16,373)	–
Interest income from:			
Cash and bank balances		(587)	(752)
Other	21	(461)	–
Amount due from a related company	22	(183)	–

Cost of inventories sold includes HK$11,916,000 (2002: HK$3,416,000) relating to staff costs, depreciation, amortisation of trademarks and technical knowhow, and minimum lease payments under operating leases for land and buildings, which is also included in the respective total amounts disclosed separately above for these types of expenses.

6. PROFIT FROM OPERATING ACTIVITIES (CONT'D)

* The amortisation of intangible assets for the year is included as to HK$4,049,000 in "Cost of sales" and as to HK$4,750,000 in "Other operating expenses, net" on the face of the consolidated profit and loss account.

** The amortisation of goodwill for the year is included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest expense on:		
Bank overdrafts and loans wholly repayable within five years	2,899	2,530
Promissory notes	179	–
	3,078	2,530

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

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

	Group	
	2003	2002
	HK$'000	HK$'000
Fees:		
Executive directors	140	280
Independent non-executive directors	20	80
	160	360
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	3,198	3,148
Pension scheme contributions	12	12
	3,210	3,160
	3,370	3,520

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES (CONT'D)

Directors' remuneration (cont'd)

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

	Number of directors	
	2003	2002
Nil to HK$1,000,000	10	12
HK$1,000,001 to HK$1,500,000	1	2
	11	14

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

Five highest paid employees

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining highest paid, non-director employee (2002: one), which fell within the nil – HK$1,000,000 band are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Basic salary, housing benefits, other allowances and benefits in kind	520	517
Pension scheme contributions	12	–
	532	517

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 (2002: Nil).

9. TAX

	Group 2003 HK$'000	Group 2002 HK$'000
Current provision:		
Hong Kong	126	200
Overseas	1,784	3,500
	1,910	3,700
Underprovision/(overprovision) in prior years:		
Hong Kong	(996)	182
Tax charge for the year	914	3,882

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) 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 in respect thereof.

No deferred tax has been provided because the Company and the Group had no significant timing differences at the balance sheet date (2002: Nil).

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company amounted to HK$2,273,000 (2002: profit of HK$8,353,000).

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$46,689,000 (2002: HK$42,002,000) and the weighted average of 2,268,301,000 (2002: 1,952,356,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2002 and 2003 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 2002	48,707	28,783	14,191	6,431	1,781	99,893
Additions	–	4,503	14,790	848	661	20,802
Acquisition of subsidiaries (note 31(b))	–	–	19,347	1,079	1,106	21,532
Transfers	27,372	(33,286)	5,700	214	–	–
Disposal of subsidiaries (note 31(c))	–	–	–	(37)	–	(37)
Disposals	(162)	–	–	(1,366)	(231)	(1,759)
At 31 March 2003	75,917	–	54,028	7,169	3,317	140,431
Accumulated depreciation:						
At 1 April 2002	3,834	–	4,676	2,924	1,130	12,564
Provided during the year	1,828	–	5,015	706	355	7,904
Disposal of subsidiaries (note 31(c))	–	–	–	(15)	–	(15)
Disposals	(44)	–	–	(688)	(142)	(874)
At 31 March 2003	5,618	–	9,691	2,927	1,343	19,579
Net book value:						
At 31 March 2003	70,299	–	44,337	4,242	1,974	120,852
At 31 March 2002	44,873	28,783	9,515	3,507	651	87,329

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

	2003 HK$'000	2002 HK$'000
Leasehold land and buildings held under:		
Medium term leases	73,295	45,923
Short term leases	2,622	2,784
	75,917	48,707

12. FIXED ASSETS (CONT'D)

At 31 March 2003, all the leasehold land and buildings of a subsidiary of the Company with a net book value of HK$25,517,000 (2002: Nil) were pledged to secure general banking facilities granted to the Group (note 26).

13. INTANGIBLE ASSETS

Group

	Trademarks HK$'000	Technical knowhow HK$'000	Gene inventions rights HK$'000	Total HK$'000
Cost:				
At 1 April 2002	2,500	9,091	95,000*	106,591
Acquisition of subsidiaries (note 31(b))	–	83,805#	–	83,805
Disposal of subsidiaries (note 31(c))	(2,500)	–	–	(2,500)
Disposals	–	(314)	–	(314)
At 31 March 2003	–	92,582	95,000	187,582
Accumulated amortisation:				
At 1 April 2002	250	1,544	792	2,586
Provided during the year	62	3,987	4,750	8,799
Disposal of subsidiaries (note 31(c))	(312)	–	–	(312)
Disposals	–	(56)	–	(56)
At 31 March 2003	–	5,475	5,542	11,017
Net book value:				
At 31 March 2003	–	87,107	89,458	176,565
At 31 March 2002	2,250	7,547	94,208	104,005

Notes:

* These gene inventions rights represent rights to commercially exploit 19 gene inventions, which are closely associated with diabetes. The Group is in the process of applying for 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 Mainland China 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 with an amount of HK$5 million less any net income derived from each of those gene inventions so prohibited. Both HK Biowindow and Fudan Biotech are related companies of the Group in which Dr. Mao Yu Min ("Dr. Mao") and Dr. Xie Yi ("Dr. Xie"), two directors and shareholders of the Company, have beneficial interests.

The remaining amortisation period of the cost of the gene inventions rights is 18 years and 10 months as at 31 March 2003.

The remaining amortisation period of these technical knowhow, which relate to the development and manufacture of genechips is 18 years and 9 months as at 31 March 2003.

14. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group HK$'000
Cost:	
Acquisition of subsidiaries during the year and at 31 March 2003 (note 31(b))	9,760
Accumulated amortisation:	
Amortisation provided during the year and at 31 March 2003	(366)
Net book value:	
At 31 March 2003	9,394

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted 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$7,827,000 and HK$1,327,000, as at 1 April 2002 and 31 March 2003, respectively. HK$6,500,000 of goodwill was included in the gain on disposal of a subsidiary during the year, as detailed in notes 30 and 31(c) to the financial statements. The goodwill, which arose in prior years, is stated at its cost.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	52,990	52,990
Due from subsidiaries	216,900	142,423
Due to subsidiaries	(58,222)	(32,826)
Loan to a subsidiary	–	1,091
	211,668	163,678

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The loan to a subsidiary was unsecured, bore interest at 12% per annum and was settled during the year.

15. INTERESTS IN SUBSIDIARIES (CONT'D)

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 2003	2002	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") (Note 1)	Mainland China	RMB33,000,000	60	60	Development, manufacture and sale of pharmaceutical products
Indirectly held					
Extrawell Pharmaceutical (HK) Limited	Hong Kong	HK$2 Ordinary	100	100	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") (Note 2)	Mainland China	RMB41,636,000	68	68	Development, manufacture and sale of pharmaceutical products
Best-Bio Developments Limited ("Best-Bio")	British Virgin Islands	US$1 Ordinary	100	100	Investment holding
Right & Rise Limited	British Virgin Islands	US$50,000 Ordinary	100	100	Holding of gene inventions rights

15. INTERESTS IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company 2003	2002	Principal activities
Grand Success Management Limited ("Grand Success")	British Virgin Islands	US$50,000 Ordinary	85#	100	Holding of gene inventions rights
Gene Generation Limited ("GGL")	British Virgin Islands	US$50,000 Ordinary	55*	–	Investment holding
Shanghai Bioway Limited ("Shanghai Bioway") (Note 3)	Mainland China	RMB500,000	54.5*	–	Investment holding and research on genome related technology
Shanghai Biostar Genechip, Inc. ("Shanghai Biostar") (Note 4)	Mainland China	RMB160,000,000	27.2*@	–	Investment holding, research on genome related technology, and development and manufacture of genechips
Shanghai Biostar Genechip Research Institute ("Biostar Research") (Note 5)	Mainland China	RMB10,000,000	27.2*@	–	Research on genome related technology
Austcow Limited ("Austcow")	Malaysia	US$1,000	–**	90	Investment holding and trading of healthcare and nutritional products
Australia Austcow Enterprise Pty. Ltd. ("AAE")	Australia	AUD10 Ordinary	–**	90	Trading of healthcare and nutritional products

15. INTERESTS IN SUBSIDIARIES (CONT'D)

Notes:

(1) JECP is a wholly foreign-owned enterprise established in the PRC with an operating period of 15 years commencing from 22 April 1999.

(2) CEP is a joint stock limited company established in the PRC for an operating period of 15 years commencing from 8 August 1992.

(3) Shanghai Bioway is a limited liability company established in the PRC with an operating period of 20 years commencing from 13 June 2000.

(4) Shanghai Biostar is a limited liability company established in the PRC with an operating period of 30 years commencing from 26 September 2000.

(5) Biostar Research is a limited liability company established in the PRC with an unlimited operating period commencing from 19 April 2001.

Grand Success was incorporated as a wholly-owned subsidiary by the Group during the year ended 31 March 2002. During the year, the Group disposed of a total of 15% of its equity interest in Grand Success to Charmtex Investments Limited and Shanghai Bio-ore Biotechnology Limited, two third parties, at a total consideration of HK$20 million and recognised a total gain of approximately HK$16,373,000. The major assets of Grand Success are five gene invention rights.

* These subsidiaries were acquired during the year (note 31(b)).

** These subsidiaries were disposed of during the year. AAE was disposed of to the minority shareholder of Austcow in September 2002 at a consideration of HK$6.5 million, which was determined based on the original investment cost of Austcow (note 31(c)).

@ Shanghai Biostar and Biostar Research are non wholly-owned subsidiaries of Shanghai Bioway and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over Shanghai Bioway.

The above table lists the subsidiaries of the Company which, in the opinion of the 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.

16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	–	–

16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (CONT'D)

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Bioword Genechips, Inc. ("Bioword")	Corporate	Mainland China	13.6	50	13.6	Research on genome related technology, and development and manufacture of genechips

Bioword is a jointly-controlled entity of Shanghai Biostar and, accordingly, is accounted for as a jointly-controlled entity by virtue of the Group's control over Shanghai Biostar.

Bioword was acquired by the Group during the year via the acquisition of GGL and its subsidiaries (the "GGL Group"). The directors of the Company are of the opinion that Bioword is practically in a management dead-lock, and the value of investment in Bioword in the GGL Group's consolidated balance sheet prior to the completion of the Group's acquisition of the GGL Group of HK$13,977,000 is doubtful. Accordingly, the Group's investment in Bioword was fully provided for prior to the completion of the Group's acquisition of the GGL Group.

17. INVESTMENT IN AN ASSOCIATE

	Group 2003 HK$'000	Group 2002 HK$'000
Share of net assets	8,974	–

Particulars of the associate are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shanghai Biochip Co., Ltd. ("Shanghai Biochip")	Corporate	Mainland China	5.4	20	5.4	Research on genome related technology, and development and manufacture of biochips

17. INVESTMENT IN AN ASSOCIATE (CONT'D)

Shanghai Biochip is an associate of Shanghai Biostar and, accordingly, is accounted for as an associate by virtue of the Group's control over Shanghai Biostar.

18. DEPOSITS PAID

	Group	
	2003	2002
	HK$'000	HK$'000
Deposits paid in respect of:		
Purchase of additional equity interest in JECP*	13,076	–
Purchase of plant and machinery	13,679	–
	26,755	–

* These deposits represent partial payments for the acquisition of the remaining 40% equity interests in JECP (the "JECP Acquisition") for a consideration of HK$25 million. Further details of the JECP Acquisition are set out in the circular of the Company dated 9 July 2003 (note 36(b)).

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	1,805	1,782
Work in progress	3,832	443
Finished goods	6,367	9,503
	12,004	11,728

At the balance sheet date, no inventories were stated at net realisable value (2002: Nil).

20. 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.

20. ACCOUNTS RECEIVABLE (CONT'D)

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	91,225	80,546
91 to 180 days	27,064	28,983
181 to 365 days	14,127	3,973
1 to 2 years	11,217	2,399
Over 2 years	3,238	3,807
	146,871	119,708
Less: Provision for bad and doubtful debts	(14,354)	(11,383)
	132,517	108,325

Included in the Group's accounts receivable at 31 March 2002 was an amount due from a subsidiary of the ex-minority equity holder of JECP of HK$5,913,000, which was settled during the year (note 35(d)).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's prepayments, deposits and other receivables at 31 March 2003 is an amount advanced to a distributor of HK$8,354,000 (2002: Nil). The amount advanced was unsecured, bore interest at 5% per annum and was settled subsequent to the balance sheet date.

22. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name	31 March 2003 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2002 HK$'000
Bioraise High-Tech Investment Ltd., Shanghai ("Bioraise")	7,912	16,525	–

22. DUE FROM A RELATED COMPANY (CONT'D)

The amount due from Bioraise, a related company in which both Dr. Mao and Dr. Xie have beneficial interests, represented advances made by the subsidiaries of GGL to finance the business activities of Bioraise prior to the Group's acquisition of GGL in July 2002 (note 31(b)). The amount due from Bioraise bore interest at 2% per annum for the period up to 30 June 2003 and 5% per annum thereafter. Further, the amount due from Bioraise is guaranteed by HK Biowindow pursuant to a loan agreement entered into amongst Bioraise, HK Biowindow and Shanghai Biostar dated 13 June 2002. Further details of the above transactions are set out in a circular of the Company dated 21 June 2002.

23. CASH AND BANK BALANCES

At 31 March 2003, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$50,192,000 (2002: HK$26,217,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 90 days	5,075	5,719
91 to 180 days	8	92
181 to 365 days	9	–
1 to 2 years	9	–
Over 2 years	3	78
	5,104	5,889

25. DUE TO MINORITY EQUITY HOLDERS

The amounts due to minority equity holders are unsecured and interest-free. The balance at 31 March 2003 is repayable upon the end of the operating period of the subsidiary, which is on 25 September 2030. Last year's balance was settled during the year.

26. INTEREST-BEARING BANK BORROWINGS

	Group 2003 HK$'000	Group 2002 HK$'000
Bank overdrafts:		
Secured	6,088	13,199
Unsecured	985	–
	7,073	13,199
Trust receipt loans:		
Secured	7,311	8,621
Unsecured	766	–
	8,077	8,621
Bank loans:		
Secured	38,209	25,472
Unsecured	9,434	–
	47,643	25,472
	62,793	47,292

At 31 March 2003, the Group's banking facilities were supported by the following:

(a) the pledge of the Group's fixed deposits of HK$23,613,000 (2002: HK$26,480,000);

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

(c) corporate guarantees from Shanghai Biowindow Gene Development Co., Ltd. and Shanghai Fudan Biotech Limited, two related companies in which both Dr. Mao and Dr. Xie have beneficial interests; and

(d) legal charges over the leasehold land and buildings of a subsidiary of the Company (note 12).

27. PROMISSORY NOTES

In July 2002, the Group issued five promissory notes of a total of HK$55 million (the "Promissory Notes") to HK Biowindow for the acquisition of 55% of the issued share capital of GGL (note 31(b)). The Promissory Notes are unsecured, bear interest at the rate of 1% per annum and are repayable as to HK$5 million, HK$8 million, HK$12 million, HK$15 million and HK$15 million on or before July 2003, July 2004, July 2005, July 2006 and July 2007, respectively. Further details of the Promissory Notes are included in the circular of the Company dated 21 June 2002.

During the year, the Group settled a total of HK$40 million of the Promissory Notes to HK Biowindow and an additional HK$5 million of the Promissory Notes was settled subsequent to the balance sheet date (note 36(a)).

During the year ended 31 March 2002, 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 31(d)(iv)). The promissory note was unsecured, interest-free and was settled during the year.

28. SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	200,000	200,000
Issued and fully paid:		
2,290,000,000 (2002: 2,170,000,000) ordinary shares of HK$0.01 each	22,900	21,700

28. SHARE CAPITAL (CONT'D)

A summary of the movements in the issued share capital and share premium account of the Company is as follows:

	Number of shares issued ('000)	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Balance at 1 April 2001	1,900,000	19,000	19,321	38,321
Issue of shares	270,000	2,700	64,800	67,500
Share issue expenses	–	–	(1,662)	(1,662)
Balance at 31 March 2002 and 1 April 2002	2,170,000	21,700	82,459	104,159
Issue of shares (note)	120,000	1,200	52,800	54,000
Share issue expenses	–	–	(1,542)	(1,542)
Balance at 31 March 2003	2,290,000	22,900	133,717	156,617

Note:

On 6 June 2002, after the placement of 120,000,000 shares of the Company by JNJ Investments Ltd. ("JNJ Investments") to certain independent investors, the Company placed 120,000,000 new shares of HK$0.01 each (the "Placement") to JNJ Investments at a placing price of HK$0.45 per share for total proceeds, before related issuance expenses, of HK$54 million. The net proceeds from the Placement are to be used by the Group for general working capital purposes. The placing price of HK$0.45 per share represented a premium of approximately 3% to the closing price of HK$0.435 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2002. Further details of the above placing and subscription are set out in the Company's press announcement dated 24 May 2002.

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 directors of the Company.

Details of the Company's share option schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Share option schemes" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 August 2002, a new share option scheme (the "New Scheme") was adopted by the Company and the share option scheme adopted on 10 March 1999 (the "Old Scheme") was terminated. Upon the termination of the Old Scheme, no further options can be granted under the Old Scheme.

29. SHARE OPTION SCHEMES (CONT'D)

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The New Scheme became effective on 15 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the New Scheme. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 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 to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the 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 may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted shall be determined by the directors at their absolute discretion, but in any event shall not be more than 10 years from the date of the offer of the share options. The directors may at their absolute discretion impose any vesting period at the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

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

Up to 31 March 2003, no share options have been granted under either the Old Scheme or the New Scheme.

30. RESERVES

Group

	Note	Share premium account HK$'000	Capital reserve* HK$'000	Contributed surplus# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2001		19,321	1,192	4,839	74,778	100,130
Issue of shares	28	64,800	–	–	–	64,800
Share issue expenses	28	(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 and 1 April 2002		82,459	2,068	4,839	116,139	205,505
Issue of shares	28	52,800	–	–	–	52,800
Share issue expenses	28	(1,542)	–	–	–	(1,542)
Transfer to capital reserve		–	1,640	–	(1,640)	–
Reversal of goodwill on disposal of a subsidiary		–	–	–	6,500	6,500
Net profit for the year		–	–	–	46,689	46,689
At 31 March 2003		133,717	3,708	4,839	167,688	309,952
Reserves retained by:						
Company and subsidiaries		133,717	3,708	4,839	168,323	310,587
Associate		–	–	–	(635)	(635)
At 31 March 2003		133,717	3,708	4,839	167,688	309,952

* In accordance with the relevant PRC regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the capital reserve. Subject to certain restrictions set out in the relevant PRC regulations and the articles of association of these PRC subsidiaries, 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 (the "Group Reorganisation"), over the nominal value of the share capital of the Company issued in exchange therefor.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against the Group's retained profits, as detailed in note 14 to the financial statements.

30. RESERVES (CONT'D)

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2001		19,321	64,636	(2,951)	81,006
Issue of shares	28	64,800	–	–	64,800
Share issue expenses	28	(1,662)	–	–	(1,662)
Net profit for the year		–	–	8,353	8,353
At 31 March 2002 and 1 April 2002		82,459	64,636	5,402	152,497
Issue of shares	28	52,800	–	–	52,800
Share issue expenses	28	(1,542)	–	–	(1,542)
Net loss for the year		–	–	(2,273)	(2,273)
At 31 March 2003		133,717	64,636	3,129	201,482

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 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.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid, interest paid and interest received are now included in cash flows from operating activities, and dividends paid are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(a) Prior year adjustments (cont'd)

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now 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. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Such change has no material effect on the comparative consolidated cash flow statement.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove trust receipt loans amounting to HK$6,632,000, previously included as cash and cash equivalents at that date. The current year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

(b) Acquisition of subsidiaries

	Notes	2003 HK$'000	2002 HK$'000
Net assets acquired:			
Fixed assets	12	21,532	–
Intangible assets	13	83,805	95,000
Interest in an associate		9,609	–
Inventories		579	–
Accounts receivable		6,455	–
Prepayments, deposits and other receivables		14,587	–
Due from a related company		16,525	–
Cash and bank balances		17,439	–
Accounts payable		(106)	–
Accrued liabilities and other payables		(581)	–
Due to a minority equity holder of a subsidiary		(18,868)	–
Minority interests		(104,827)	–
		46,149	
Goodwill on acquisition	14	9,760	–
		55,909	95,000
Satisfied by:			
Cash		909	30,000
Issue of shares		–	37,500
Issue of Promissory Notes		55,000	27,500
		55,909	95,000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(b) Acquisition of subsidiaries (cont'd)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Professional fees paid	(909)	–
Cash consideration	–	(30,000)
Cash and bank balances acquired	17,439	–
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	16,530	(30,000)

In July 2002, the Group acquired a 55% interest in GGL from HK Biowindow. The GGL Group is engaged in the research on genome related technology, and the development and manufacture of genechips.

Since its acquisition, the GGL Group contributed HK$23,384,000 to the turnover and HK$13,296,000 to the consolidated profit after tax and before minority interests of the Group for the year ended 31 March 2003. The subsidiary acquired in the prior year had no turnover and had contributed loss after tax of HK$792,000 for that year.

(c) Disposal of subsidiaries

	Notes	2003 HK$'000	2002 HK$'000
Net assets disposed of:			
Fixed assets	12	22	–
Intangible assets	13	2,188	
Inventories		160	–
Accounts receivable		1,392	–
Prepayments, deposits and other receivables		264	–
Cash and bank balances		21	–
Accounts payable		(118)	–
Accrued liabilities and other payables		(62)	–
		3,867	–
Reversal of goodwill on disposal of a subsidiary	14, 30	6,500	–
Gain on disposal of subsidiaries		1,897	–
Consideration		12,264	–
Satisfied by:			
Cash		12,264	–

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(c) Disposal of subsidiaries (cont'd)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration	12,264	–
Cash and bank balances disposed of	(21)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	12,243	–

The results of the subsidiaries disposed of during the year had no significant impact on the Group's consolidated turnover or profit after tax.

Further details of the disposal of the subsidiaries are included in note 15 to the financial statements.

(d) Major non-cash transactions

(i) During the year, the Group issued the Promissory Notes of a total of HK$55 million as settlement of the consideration for the acquisition of the 55% interest in GGL (note 31(b)).

(ii) Prior to the acquisition of GGL by the Group, the GGL Group paid deposits for the purchase of fixed assets of HK$14,151,000 (2002: Nil), which were included in "Prepayments, deposits and other receivables" (note 31(b)). Those fixed assets were received by the Group before the balance sheet date and are included in fixed assets.

(iii) During the year ended 31 March 2002, a dividend of HK$3,998,000 distributed by CEP to its minority equity holder and the amount due to the minority equity holder of HK$1,192,000 were capitalised as additional paid-up capital of CEP.

(iv) During the year ended 31 March 2002, 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.

32. CONTINGENT LIABILITIES

As at 31 March 2003, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK$38,678,000 (2002: HK$47,292,000) as at the balance sheet date.

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

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 HK$'000	2002 HK$'000
Within one year	1,905	–
In the second to fifth years, inclusive	1,961	–
	3,866	–

The Company had no non-cancellable operating lease arrangements at 31 March 2003 (2002: Nil).

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the balance sheet date:

(a) a contracted commitment of HK$1,680,000 (2002: HK$4,329,000) in respect of the construction projects for the upgrading of the manufacturing plant in Mainland China; and

(b) an authorised, but not contracted for, commitment of HK$11,924,000 (2002: Nil) in respect of the JECP Acquisition (note 18).

The Company had no significant commitments as at 31 March 2003 (2002: Nil).

35. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) During the year, the Group acquired 55% of the issued share capital of GGL from HK Biowindow for a total consideration of HK$55 million. The consideration for the acquisition of GGL, which was settled by the Promissory Notes, was determined by the directors with reference to the audited balance sheets of certain of the principal operating subsidiaries of GGL prepared in accordance with generally accepted accounting principles in the PRC.

Further details of the above acquisition are set out in the circular of the Company dated 21 June 2002.

(b) During the year, the Group paid rental expenses amounting to HK$135,000 (2002: HK$811,000) to Extrawell Holdings Limited ("EHL") for leasing the 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 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.

The agreement for the leasing of the properties from EHL was terminated during the year.

(c) During the year ended 31 March 2002, the Group acquired the entire issued capital of R&R (the "R&R Acquisition") from HK Biowindow and Fudan Biotech for a consideration of HK$95,000,000. 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 R&R Acquisition. The remaining balance of the consideration of HK$30,000,000 was satisfied by cash. The consideration of the R&R Acquisition was determined by the directors with reference to the fair value of R&R.

Further details of the R&R Acquisition are set out in the circular of the Company dated 11 January 2002.

(d) During the year ended 31 March 2002, JECP sold finished goods of HK$5,913,000 to a subsidiary of its minority equity holder. 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.

36. POST BALANCE SHEET EVENTS

(a) In April 2003, the Group settled HK$5 million of the Promissory Notes to HK Biowindow.

(b) On 18 June 2003, the Group announced the proposed acquisition of the remaining 40% equity interest in the paid-up capital of JECP from Smart Phoenix Holdings Limited, the minority equity holder of JECP, for a consideration of HK$25 million. At 31 March 2003, the Group had paid deposits of HK$13,076,000 (note 18) in respect of the JECP Acquisition.

Further details of the JECP Acquisition are set out in the circular of the Company dated 9 July 2003. The JECP Acquisition was approved in a special general meeting by the shareholders of the Company dated 26 July 2003.

37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of the financial statements and certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 July 2003.