1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

At 31 March 2005, the Group had consolidated net current liabilities of approximately HK$98,746,000 (2004: consolidated net current liabilities of approximately HK$158,417,000) and consolidated net liabilities of approximately HK$87,171,000 (2004: HK$83,448,000). The Group also incurred a net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 of approximately HK$3,723,000 (2004: HK$91,914,000) and reported a decrease in cash and cash equivalents for the year ended 31 March 2005 of approximately HK$1,450,000 (2004: HK$4,220,000). Notwithstanding the adverse financial position of the Group as at 31 March 2005, the Provisional Liquidators have prepared these financial statements on a going concern basis as they believe that there are good prospects that the Restructuring Proposal as outlined below can be successfully implemented.

On 25 February 2005, the Company submitted a proposal to the Listing Division of the HKEx (the "Listing Division"), setting out the principal terms of the Proposed Restructuring and requesting the HKEx's conditional approval for the resumption of trading in the shares in the Company (the "Resumption Proposal").

On 15 August 2005, a final revised Resumption Proposal and supporting business plan, profit forecast memorandum and financial projections were submitted to the Listing Division, incorporating additional information, clarification and disclosures in response to queries from the Listing Division. The Resumption Proposal sets out the principal terms of the proposed restructuring.

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

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

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

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

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

2. BASIS OF PREPARATION (Continued)

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

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

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

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Certain subsidiaries within the Group have been deconsolidated from the consolidated financial statements prior to 31 March 2005 because in the opinion of the Provisional Liquidators, the Group lost control over these subsidiaries and it will be misleading to the users if these subsidiaries are consolidated in the Group's assets and liabilities at the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

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

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

Associates

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

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

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

Goodwill

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

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

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

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

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

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

Related parties

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

Impairment of assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

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

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

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

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

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

Investment properties

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Patent

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

Know-how

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

Research and development costs

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

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

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

Leased assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long term investments

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

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

Short term investments

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

Inventories

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

Cash and cash equivalents

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

Revenue recognition

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

Provisions

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

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

Pension schemes

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share option schemes

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

Foreign currencies

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

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

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

Borrowing costs

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

5. SEGMENT INFORMATION (Continued)

(a) Business segments

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

Group

	Sum yung and pharmaceutical products		Biotechnological and transgenic products		Property investment		Corporate and others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external Customers	**52,202**	115,561	**8,238**	22,881	**1,261**	2,286	**1,228**	1,276	**–**	–	**62,929**	142,004
Intersegment Sales	**177**	195	**–**	–	**–**	–	**26**	–	**(203)**	(195)	**–**	–
Other revenue	**87**	930	**387**	188	**–**	–	**239**	12	**–**	–	**713**	1,130
Total	**52,466**	116,686	**8,625**	23,069	**1,261**	2,286	**1,493**	1,288	**(203)**	(195)	**63,642**	143,134
Segment results	**151**	(1,171)	**(960)**	(48,742)	**(4,815)**	4,971	**8,175**	(38,447)			**2,551**	(83,389)
Interest and dividend Income											**825**	1,290
Unallocated revenue											**(16,686)**	–
Unallocated expenses											**–**	(1,404)
Loss from operating activities											**(13,310)**	(83,503)
Finance costs											**16,686**	(11,517)
Gain on deconsolidation											**(7,098)**	–
Loss before tax											**(3,722)**	(95,020)
Tax											**(1)**	(15)
Loss before minority interests											**(3,723)**	(95,035)
Minority interests											**–**	3,121
Net loss from ordinary activities attributable to shareholders											**(3,723)**	(91,914)
Segment assets	**11,319**	10,445	**–**	29,990	**986**	49,898	**13,971**	48,579		–	**26,276**	138,912
Unallocated assets											**–**	71
Total assets											**26,276**	138,983
Segment liabilities	**8,215**	10,474	**–**	21,097	**194**	585	**50,723**	44,740		–	**59,132**	76,896
Unallocated liabilities											**54,315**	145,535
Total liabilities											**113,447**	222,431
Other segment information:												
Depreciation	**867**	1,907	**115**	5,110	**5**	5	**114**	533		–	**1,101**	7,555
Amortisation of intangible assets	**–**	392	**–**	1,411	**–**	–	**–**	–		–	**–**	1,803
Amortisation of goodwill	**–**	172	**–**	–	**–**	–	**–**	942		–	**–**	1,114
Impairment losses included in the profit loss account	**–**	–	**19**	44,196	**–**	–	**–**	–			**19**	44,196
											1,120	54,668
Capital expenditure	**261**	1,305	**19**	947	**–**	–	**–**	6		–	**280**	2,258
Other non-cash expenses	**343**	527	**1,380**	5,430	**4,376**	(7,050)	**1,592**	29,329		–	**7,691**	28,236

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**54,627**	56,230	**8,302**	85,774	**–**	–	**62,929**	142,004
Other segment information:								
Segment assets	**25,281**	97,200	**995**	41,783	**–**	–	**26,276**	138,983
Capital expenditure	**254**	47	**26**	2,211	**–**	–	**280**	2,258

6. TURNOVER AND OTHER REVENUE

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

An analysis of turnover and other revenue is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sale of sum yung and pharmaceutical products	**53,056**	116,398
Sale of biotechnological and transgenic products	**8,238**	22,881
Property investment-gross rental income	**1,261**	2,286
Others	**374**	439
	62,929	142,004
Other revenue		
Interest income	**823**	1,181
Dividend income from listed investments	**1**	109
Others	**714**	1,130
	1,538	2,420

7. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Cost of inventories sold	**34,017**	92,463
Cost of services provided	**317**	331
Depreciation	**1,094**	7,555
Amortisation of a patent	**–**	392
Amortisation of know-how*	**–**	931
Amortisation of deferred development costs	**–**	480
Impairment of fixed assets	**19**	36,762
Impairment of know-how	**–**	2,816
Impairment of deferred development costs**	**–**	2,860
Research and development expenditure**	**795**	3,017
Amortisation of goodwill**	**–**	1,114
Minimum lease payments under operating leases in respect of land and buildings	**7,615**	12,403
Auditors' remuneration	**570**	1,298
Staff costs (excluding directors' remuneration)		
Wages and salaries	**10,856**	18,803
Pension scheme contributions***	**920**	1,761
Bad debts written off	**574**	4,054
Loss on disposal of a subsidiary	**–**	1,404
Loss on disposal of fixed assets, net	**3,407**	139
Provision for doubtful trade receivables	**–**	402
Provision/(write-back of provision) for prepayments and other receivables	**648**	(329)
Provision for amount due from a related company	**–**	314
Provision for amount due from a director	**160**	–
Provision/(write-back of provision) for obsolete and slow-moving inventories	**99**	(1,796)
Provision for amounts due from intermediate holding companies, net	**1,008**	13,314
Provision for pending litigation	**856**	17,871
Impairment of interests in associates	**–**	583
Impairment of long term unlisted investments**	**–**	1,175
Unrealised gain on revaluation of short term listed investments	**–**	(28)
Loss/(gain) on disposal of short term listed investments	**8**	(1,225)
Deficit/(surplus) on revaluation of investment properties	**365**	(7,050)
Exchange losses, net	**18**	19
Net rental income	**(1,174)**	(2,171)
Dividend income from listed investments	**(1)**	(109)
Interest income	**(823)**	(1,181)

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

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

*** At 31 March 2005, the Group had no significant forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**7,076**	11,477
Interest on finance leases	**22**	40
	7,098	11,517

9. GAIN ON DECONSOLIDATION OF A SUBSIDIARY

	2005	2004
	HK$'000	*HK$'000*
– Shanghai Hua Xin High Biotechnology Inc. *(see Note 35(b))*	**16,686**	–

The subsidiary was deconsolidated as of 30 November 2004 and details are set out in Note 19.

10. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**2,071**	2,446

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

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

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**5**	5

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

11. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five (2004: five) non-director, highest paid employees are as follow:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,550**	2,418
Pension scheme contributions	**68**	76
	1,618	2,494

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**5**	5

12. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	HK$'000	*HK$'000*
Tax charge elsewhere for the year	**1**	15

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Loss before tax	**(3,722)**	(95,020)
Tax at the applicable tax rates of 17.5% (2004: 17.5%)	**(651)**	(16,628)
Effect of different tax rates of subsidiaries	**–**	7
Income not subject to tax	**(108)**	(1,938)
Expenses not deductible for tax	**(902)**	15,823
Tax loss not recognised	**1,662**	2,751
Tax charge	**1**	15

12. TAX (Continued)

Details of unrecognised deferred tax assets at the balance sheet date are as follows:–

	Group	
	2005	2004
	HK$'000	*HK$'000*
Excess of tax allowance over depreciation	**(261)**	(14,719)
Tax losses	**(32,985)**	(33,914)
	(33,246)	(48,633)

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

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company is approximately HK$36,737,000 (2004: HK$44,602,000).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$3,723,000 (2004: HK$91,914,000), and the weighted average number of 1,403,796,698 (2004: 1,403,796,698) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2005 and 2004 have not been presented because the effects of the assumed conversion of the share options and convertible notes of the Company during these years were anti-dilutive.

15. PROPERTIES, PLANT AND EQUIPMENT

Group

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or valuation:						
At beginning of year	49,852	9,419	30,729	2,500	1,350	93,850
Additions	–	142	47	84	–	273
Impairment	–	–	(19)	–	–	(19)
Disposals	–	(816)	(893)	(1,035)	–	(2,744)
Disposal – deconsolidated	(49,852)	–	–	(1,464)	–	(51,316)
At 31 March 2005	–	8,745	29,864	85	1,350	40,044
Analysis of cost or valuation						
At cost	–	8,745	29,864	85	1,350	40,044
At 31 March 2005 valuation	–	–	–	–	–	–
	–	8,745	29,864	85	1,350	40,044
Accumulated depreciation						
At beginning of year	24,852	9,096	29,583	1,929	1,350	66,810
Provided during the year	–	388	545	161	–	1,094
Disposals	–	(816)	(742)	(985)	–	(2,543)
Disposal – deconsolidated	(24,852)	–	–	(1,088)	–	(25,940)
At 31 March 2005	–	8,668	29,386	17	1,350	39,421
Net book value:						
At 31 March 2005	–	77	478	68	–	623
At 31 March 2004	25,000	323	1,146	571	–	27,040

The net book value of the Group's office equipment and motor vehicles held under finance lease as at 31 March 2005 amounted to approximately HK$15,000 (2004: HK$55,000) and HK$ nil (2004: HK$79,000) respectively.

15. PROPERTIES, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements
	HK$'000
Cost or valuation:	
At 1 April 2004	812
Written off	(812)
At 31 March 2005	–
Accumulated depreciation:	
At 1 April 2005	812
Written off	(812)
At 31 March 2005	–
Net book value:	
At 31 March 2005	–
At 31 March 2004	–

16. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Cost or valuation:		
At 1 April 2004	**49,200**	42,150
(Deficit)/surplus on revaluation	**(365)**	7,050
Disposals	**(48,000)**	–
At 31 March 2005	**835**	49,200
Analysis of cost or valuation		
At cost	**–**	–
At 31 March 2005 valuation	**835**	49,200
	835	49,200
Net book value:		
At 31 March 2005	**835**	49,200

The property is under a medium term lease and is situated in the Mainland China.

The Group's investment property was revalued on 31 March 2005 by Knight Frank Hong Kong Limited, independent professionally qualified valuers, on an open market value, existing use basis.

Further particulars of the Group's investment property are included on page 59 of the Annual Report.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**29,344**	29,344
Due from subsidiaries	**402,097**	372,794
Due to subsidiaries	**(1,130)**	–
	430,311	402,138
Less: Provisions for impairment	**(29,344)**	(29,344)
Provisions for amounts due from subsidiaries	**(391,637)**	(362,334)
	9,330	10,460

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

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

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

* Two subsidiaries held by Joinbest Investment Limited have been classified as investments in securities (see Note 19).

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

18. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**818**	818
Due from associates	**4,332**	4,332
	5,150	5,150
Less: Provisions for impairment	**(818)**	(818)
Provisions for amounts due from associates	**(4,332)**	(4,332)
	–	–

Particulars of the associates are as follows:

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

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

The shareholdings in the associates all comprise equity shares held through a non wholly-owned subsidiary of the Company, Shanghai Huaxin Biotechnology Inc., which was deconsolidated as at 30 November 2004.

19. INVESTMENTS IN SECURITIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted, investments at deconsolidated amounts *(see Note 35(b))*	**10,460**	10,460

Particulars of the investments are as follows:

Name	Note	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guizhou Ensure Chain Pharmacy Co., Ltd. ("Ensure Chain") ϕ	(i)	Mainland China	RMB10,000,000	–	51.00%	Retail of pharmaceutical products
Guizhou Ensure Medical Company Limited ϕ	(i)	Mainland China	RMB3,000,000	–	45.82%	Retail of pharmaceutical products
Shanghai Huaxin High Biotechnology Inc. ϕ	(ii)	Mainland China	USD9,620,000	–	57.00%	Production and sale of biotechnological products

ϕ The Chinese name of the Company is a direct translation of its Chinese registered name.

Notes:

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

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

Subsequent to the balance sheet date, in June 2005, the Provisional Liquidators agreed to dispose of Joinbest to the minority shareholders of the Ensure subsidiaries. Consideration for the disposal consisting of cash in the amount of HK$3,000,000 and cancellation of the Company's convertible notes in the amount of HK$12,254,400 was received in October 2005 following sanction of the disposal by the High Court on 21 September 2005 (see also Notes 28(e) and 40(d)).

(ii) One of the Group's subsidiaries, Shanghai Huaxin Biotechnology Inc. ("Huaxin") is a Sino-foreign co-operative joint venture company established in Mainland China and acquired by the Group in 2001, with an operating period of 45 years commencing from 19 January 1993, was deconsolidated as of 30 November 2004.

The Provisional Liquidators have deconsolidated Huaxin in 2005 as they considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of the Huaxin. The management of Huaxin have not provided the Company with any financial information subsequent to the provision of unaudited management accounts for the period from 1 April 2004 to 30 November 2004, and, accordingly, deconsolidation has been made as of this date. The deconsolidated assets and liabilities as at 30 November 2004 are stated at nil carrying value at 31 March 2005.

Subsequent to the balance sheet date, the Provisional Liquidators have agreed to dispose of the Group's interest in Hua Xin (see also Notes 35(b) and 40(d)).

20. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	–	318
Work in progress	–	963
Finished goods	–	386
Merchandised goods	**5,486**	6,430
	5,486	8,097

All inventories are stated at cost.

21. TRADE RECEIVABLES

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

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 3 months	**1,206**	3,193
4 to 6 months	–	854
7 to 12 months	**2**	148
13 to 24 months	**48**	128
Over 24 months	**18**	23
	1,274	4,346

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's and Company's prepayments, deposits and other receivables were the balance of working capital facility advanced by the investor and funds arising from realisation of assets being kept in escrow by the Provisional Liquidators of approximately HK$1,188,000 and HK$785,000 respectively (2004: HK$ nil).

23. DUE FROM INTERMEDIATE HOLDING COMPANIES

		Group		Company	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Due from Tin Ming	*(a)*	**13,120**	12,110	**13,120**	12,110
Due from Hong Tau	*(b)*	**1,202**	1,204	**1,202**	1,204
Less: Provision for impairment		**(14,322)**	(13,314)	**(14,322)**	(13,314)
		–	–	–	–

Notes:

(a) The amounts of HK$6,744,000 and HK$6,003,000 (including interest amounting to approximately HK$1,236,000 and HK$903,000, respectively) due from Tin Ming Management Limited ("Tin Ming") are unsecured and bear interest at prime rate plus 1% per annum. The amount of HK$6,744,000 was originally due on 28 March 2002 and was extended to 31 March 2003 and 31 March 2004, while the amount of HK$6,003,000 was due on 23 April 2003 and was extended to 31 March 2004. In 2004, the Company agreed to further extended the repayment date to 31 March 2005. On 21 December 2004, an amount of HK$374,000 was advanced to Tin Ming to repay its debt to Umbrella Finance Company Limited. This amount is unsecured and non interest bearing. The Provisional Liquidators are pursuing all available avenues to recover the amounts due from Tin Ming including legal action, if necessary. However, to be prudent, full provisions have been made for these receivables.

(b) The amount of approximately HK$1,202,000 due from Hong Tau Investment Ltd. ("Hong Tau") represents the sharing of the Company's financial restructuring costs by Hong Tau. The amount is unsecured and interest-free. The amount was originally due on 28 March 2002 and this was extended to 31 March 2004. In 2004, the Company agreed to further extend the repayment date to 31 March 2005. On 14 August 2003, Hong Tau settled approximately HK$700,000 with the remaining balance to be settled on 31 March 2005. The Provisional Liquidators are pursing all available avenues to recover the amounts due from Hong Tau including legal action, if necessary. However, to be prudent, full provisions have been made for these receivables.

24. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Listed Hong Kong equity investments, at market value:	–	71
Listed Hong Kong debt investments, at market value:	–	–
	–	71

The short term investments were disposed of during the year.

25. TIME DEPOSITS – PLEDGED

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits – pledged *– Note 28(c)*	–	30,000	–	30,000

26. TRADE PAYABLES

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 3 months	**3,670**	5,788
4 to 6 months	**285**	1,020
7 to 12 months	**8**	207
13 to 24 months	**42**	12
Over 24 months	**6,495**	7,030
	10,500	14,057

27. BANK AND OTHER BORROWINGS

		Group		Company	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current portion of bank and other borrowings	*28*	**54,254**	134,086	**50,254**	50,254
Current portion of finance lease payables	*29*	**14**	68	**–**	–
		54,268	134,154	**50,254**	50,254

28. BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trust receipts loans, secured – *Note (a)*	**–**	1,781	**–**	–
Bank loans:				
Secured – *Note (b)*	**–**	49,143	**–**	–
Unsecured – *Note (c)*	**–**	28,200	**–**	–
	–	79,124	**–**	–
Convertible notes:				
Bank convertible note, secured – *Note (d)*	**38,000**	38,000	**38,000**	38,000
Other convertible notes, unsecured – *Note (e)*	**12,254**	12,254	**12,254**	12,254
	50,254	50,254	**50,254**	50,254
Other loans:				
Secured – *Note (f)*	**4,000**	–	**–**	–
Unsecured – *Note (f)*	**–**	16,044	**–**	–
	54,254	145,422	**50,254**	50,254
Bank and trust receipts loans repayable:				
Within one year or on demand	**–**	79,124	**–**	–
In the second year	**–**	–	**–**	–
In the third to fifth years, inclusive	**–**	–	**–**	–
Beyond five years	**–**	–	**–**	–
	–	79,124	**–**	–
Convertible notes repayable:				
Within one year or on demand	**50,254**	50,254	**50,254**	50,254
In the second year – *Note (e)*	**–**	–	**–**	–
In the third to fifth years, inclusive	**–**	–	**–**	–
	50,254	50,254	**50,254**	50,254
Other loans repayable:				
Within one year or on demand	**4,000**	4,708	**–**	–
In the second year – *Note (f)*	**–**	11,336	**–**	–
	4,000	16,044	**–**	–
Total bank and other Borrowings	**54,254**	145,422	**50,254**	50,254
Portion classified as current liabilities *(Note 27)*	**(54,254)**	(134,086)	**(50,254)**	(50,254)
Long term portion	**–**	11,336	**–**	–

28. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) In last year, the Group's trust receipts loans were secured by one of the Group's investment properties with a carrying value of HK$2,700,000 at 31 March 2004 and a corporate guarantee executed by the Company.

On 14 February 2005, the said property was disposed of to an independent third party at the consideration of HK$2,850,000. Subsequent to the disposal, the trust receipts loans were paid off and the corporate guarantee executed by the Company was cancelled.

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

		Group	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited)	*(i)*	–	39,743
Bank of Shanghai	*(ii)*	–	9,400
		–	49,143

(i) The bank loan was fully repaid subsequent to the disposal of the investment properties.

(ii) In a prior year, Huaxin, a subsidiary obtained a bank loan amounting to approximately HK$2,820,000 (RMB3,000,000) from Bank of Shanghai to finance its working capital. The bank loan bears interest at 5.84% per annum and was repayable on 29 April 2004. The bank loan was secured by a building of Huaxin with a carrying value of approximately HK$25,000,000 at the balance sheet date and a corporate guarantee given by Shenzhen Weiji Investment & Development Co., Ltd. ("Shenzhen Weiji"), a company in which a director of the Company, Mr. Sun Hiu Lu, is both a director and shareholder. Further details are included in Note 39(b) to the financial statements. On 29 April 2004, Huaxin defaulted on the full repayment of the loan. Huaxin was deconsolidated as of 30 November 2004.

In a prior year, Huaxin obtained another bank loan amounting to approximately HK$6,580,000 (RMB7,000,000) from Bank of Shanghai to finance its working capital. The bank loan bears interest at 5.84% per annum and is repayable on 27 November 2004. The bank loan is secured by a corporate guarantee given by Shenzhen Weiji, a Company in which a director of the Company, Mr. Sun Hiu Lu, is both a director and shareholder. Further details are included in Note 39(b) to the financial statements. On 27 November 2005, Huaxin defaulted on the full repayment of the loan. Huaxin was deconsolidated as of 30 November 2004.

(c) The bank loan was fully repaid by the Company's pledged time deposit in Shenzhen Development Bank during the year.

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

Voting: The noteholder is not entitled to attend or vote at any meetings of the Company.

Conversion price: HK$0.10 per share, subject to adjustment

Interest: 4% per annum, payable semi-annually in arrears on dates falling 6 months and 1 year after the date of issue of the Note and on the respective dates falling every 6 months thereafter until the maturity date.

Repayment: The Company is required to repay the principal amount outstanding by 6 semi-annual successive instalments on dates falling 6 months and 1 year after the second anniversary of the date of issue of the Note and on the anniversary of such dates of each year thereafter in the respective amounts of 5%, 5%, 10%, 10%, 35% and 35% of the principal amount outstanding.

Maturity: The Company is required to repay the principal monies outstanding under the relevant Note to the noteholder together with accrued interest on the fifth anniversary of the date of issue of the Note.

28. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

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

Right of conversion:	The noteholder has the right to convert the whole or part of the principal amount of the Note into new ordinary shares of the Company at any time prior to maturity. Upon the full conversion of the Note at the conversion price, based on the existing capital structure, 400,000,000 new ordinary shares of the Company would be issued to the noteholder.

The Note was secured by:

- assignment of rentals over certain of the Group's investment properties situated in Hong Kong;
- fixed and floating charges over the shares, undertakings, properties, assets and rights of certain of the Company's subsidiaries;
- charge over the share capital of certain of the Company's subsidiaries; and
- corporate guarantees executed by certain of the Company's subsidiaries.

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

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

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

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

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

Issuer:	The Company
Principal amount:	HK$12,254,400
Voting:	The noteholders are not entitled to attend or vote at any meetings of the Company.
Conversion price:	HK$1.38 per share, subject to adjustment
Interest:	No interest is payable on the convertible notes.

28. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e) (Continued)

Conversion and redemption: At any time within the period of 1 year commencing on the day falling on the first anniversary of the date of issue of the convertible notes (which was 30 March 2002), the noteholders may: (1) exercise the conversion right to convert an amount representing one-third of the principal amount of the convertible notes into new ordinary shares of the Company; or (2) require the Company to redeem one-third of the principal amount of the convertible notes.

At any time within the period of 1 year commencing on the day falling on the second anniversary of the date of issue of the convertible notes, the noteholders may: (1) exercise the conversion right to convert an amount representing two-thirds of the principal amount of the convertible notes into new ordinary shares of the Company; or (2) require the Company to redeem two-thirds of the principal amount of the convertible notes.

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

Subsequent to the balance sheet date, in October 2005, the holders of the convertible notes, as part of the consideration for their purchase of the Company's subsidiary, Joinbest Investment Limited, agreed to the cancellation of the convertible notes (see also Notes 19 and 40(d)).

(f)

	Note	**2005** **HK$'000**	2004 HK$'000
Secured – Gain Alpha Finance Ltd.	*(i)*	**4,000**	–
Unsecured – Huaxin – deconsolidated		**–**	16,044
		4,000	16,044

(i) On 28 January 2005, one of the Company's subsidiaries entered into an agreement with Gain Alpha Finance Limited ("Gain Alpha"), being a potential investor of the Company. Pursuant to the agreement, Gain Alpha agreed to provide a loan facility of up to HK$8,000,000 to the Company's subsidiary for working capital. The loan facility is guaranteed by Umbrella Finance Company Limited (Umbrella), a major creditor of the Company. Umbrella is secured by way of fixed and floating charges over the shares, undertakings, properties, assets and rights of the Company's subsidiary and bears interest at 5% per annum. As at 31 March 2005, an amount of HK$4,000,000 was drawn down by the subsidiary. The repayment date of this amount was on 30 June 2005, however on 28 September 2005, Gain Alpha agreed to extend the repayment date to 31 January 2006.

29. FINANCE LEASE PAYABLES

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

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

	Minimum lease payments 2005 *HK$'000*	Minimum lease payments 2004 *HK$'000*	**Present value of minimum lease payments 2005 *HK$'000***	Present value of minimum lease payments 2004 *HK$'000*
Amounts payable:				
Within one year	**19**	91	**14**	68
In the second year	**1**	40	**1**	27
In the third to fifth years, inclusive	**–**	28	**–**	18
Total minimum finance lease payments	**20**	159	**15**	113
Future finance charges	**(5)**	(46)		
Present value of lease obligations	**15**	113		
Less: Amount due from settlement within 12 months (shown under current liabilities)			**(14)**	(68)
Amount due for settlement after 12 months			**1**	45

30. PROVISION FOR LONG SERVICE PAYMENTS

Group

	HK$'000
At 1 April 2004	536
Reversal of unutilised amounts	(8)
At 31 March 2005	528
Portion classified as current liabilities	(186)
Long term portion	342

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

31. SHARE CAPITAL

	2005 ***HK$'000***	2004 *HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,403,796,698 (2004: 1,403,796,698) ordinary shares of HK$0.10 each	**140,379**	140,379

32. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

32. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding during the year:

	Number of share options						Price of Company's shares**		
Name or category of participant	At 1 April 2004	Granted during the year	Lapsed during the year	At 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options* *HK$*	At grant date of options *HK$*	At exercise date of options *HK$*
Directors									
Ms. Huang Shuyun	25,000,000	–	–	25,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	2,000,000	–	–	2,000,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	27,000,000	–	–	27,000,000					
Mr. Chu Kwan	25,200,000	–	–	25,200,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	1,000,000	–	–	1,000,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	26,200,000	–	–	26,200,000					
Mr. Sun Hiu Lu	27,000,000	–	–	27,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
Mr. Zhao Dake	27,000,000	–	–	27,000,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
Mr. Zhang Ke, Winston	3,000,000	–	–	3,000,000	10-7-2001	10-7-2001 to 9-7-2011	1.00	1.20	–
	1,500,000	–	–	1,500,000	22-2-2002	22-2-2004 to 21-2-2012	0.88	0.88	–
	1,500,000	–	–	1,500,000	22-2-2002	22-2-2005 to 21-2-2012	0.88	0.88	–
	6, 000,000		–	6, 000,000					
Mr. Melvin Wong	300,000	–	–	300,000	27-5-2003	27-5-2003 to 1-5-2013	0.380	0.355	–
	1,000,000	–	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
	1,300,000	–	–	1,300,000					
Mr. Ng Wing Hang	300,000	–	–	300,000	27-5-2003	27-5-2003 to 1-5-2013	0.380	0.355	–
	1,000,000	–	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
	1,300,000	–	–	1,300,000					
Mr. Chu Yu Lin, David	1,000,000	–	–	1,000,000	1-3-2004	1-3-2004 to 28-2-2006	0.285	0.280	–
Other employees In aggregate	1,500,000	–	–	1,500,000	16-5-2000	16-5-2000 to 15-5-2010	0.639	0.81	–
	40,000	–	–	40,000	30-10-2000	30-10-2000 to 29-10-2010	0.460	0.61	–
	1,100,000	–	–	1,100,000	22-2-2002	22-2-2002 to 21-2-2012	0.88	0.88	–
	2,640,000	–	–	2,640,000					
	119,440,000	–	–	119,440,000					

32. SHARE OPTION SCHEMES (Continued)

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

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

33. RESERVES

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

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

	Share premium account *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2004	140,694	297	78,810	(358,230)	(138,429)
Net loss for the year	–	–	–	(34,142)	(34,142)
At 31 March 2004	140,694	297	78,810	(392,372)	(172,571)
Net loss for the year	–	–	–	(36,737)	(36,737)
At 31 March 2005	140,694	297	78,810	(429,109)	(209,308)

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

34. PLEDGE OF ASSETS

At 31 March 2005, the following assets of the Group were pledged to secure the Group's banking facilities:

(a) fixed and floating charges over the shares, undertakings, properties, assets and rights of certain of the Company's subsidiaries;

(b) corporate guarantees executed by the Company and certain of its subsidiaries;

(c) charge over the share capital of certain of the Company's subsidiaries.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	–	7,123
Intangibles assets	–	4,771
Inventories	–	369
Trade and other receivables	–	277
Bank balances and cash	–	2,624
Due from shareholders	–	3,927
Trade and other payables	–	(494)
Minority interests	–	(10,613)
	–	7,984
Loss on disposal of subsidiary	–	(1,404)
	–	6,580
Satisfied by:		
Cash	–	6,580

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

	2005	2004
	HK$'000	*HK$'000*
Cash consideration	–	6,580
Cash and bank balances disposed	–	(2,624)
Net inflow of cash and equivalents in respect of the disposal of subsidiary	–	3,956

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

(b) Deconsolidation of subsidiaries

	2005	2004
	HK$'000	*HK$'000*
Net (liabilities)/assets deconsolidated:		
Fixed assets	**25,376**	1,898
Goodwill	**–**	13,414
Intangibles assets	**–**	1,316
Inventories	**2,621**	14,778
Trade and other receivables	**5,050**	17,309
Bank balances and cash	**603**	4,199
Trade and other payables	**(25,665)**	(25,932)
Amount due to directors	**–**	(2,218)
Bank loan-unsecured	**(8,956)**	(3,572)
Hire purchase creditor	**–**	(230)
Other short term payables	**(4,379)**	(9,835)
Other loan-unsecured	**(11,336)**	(470)
Minority interests	**–**	(197)
	(16,686)	10,460
Gain on deconsolidation	**16,686**	–
Re-classification as investments in securities *(see Note 19)*	**–**	(10,460)
Consideration	**–**	–
Satisfied by:		
Bank balances and cash	**–**	–

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

	2005	2004
	HK$'000	*HK$'000*
Cash and bank balances deconsolidated	**(603)**	(4,199)

36. CONTINGENT LIABILITIES

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

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

37. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**4,397**	7,679	–	913
In the second to fifth years, inclusive	**5,005**	8,651	–	1,063
After five years	–	10,613	–	–
	9,402	26,943	–	1,976

38. COMMITMENTS

In addition to the operating lease arrangements detailed in Note 37 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Donations to various research funds	**8,420**	8,420

39. RELATED PARTY TRANSACTIONS

(a) As disclosed in Note 23 to the financial statements, as at the balance sheet date, the Group advanced HK$13,121,000 (2004: HK$12,110,000) and HK$1,202,000 (2004: HK$1,204,000) to Tin Ming and Hong Tau, the intermediate holding companies, respectively.

(b) In a previous year, Shenzhen Weiji, a company in which Mr. Sun Hiu Lu is both a director and shareholder, gave a corporate guarantee in respect of a bank loan of RMB10,000,000 (2004: RMB10,000,000) granted to Huaxin which was deconsolidated as of 30 November 2004.

(c) In a previous year, loans advanced by Shenzhen Weiji to Huaxin with total outstanding balance of RMB4,421,000 (2004: RMB4,421,000) are unsecured and repayable on 31 December 2005.

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

40. POST BALANCE SHEET EVENTS

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

(b) On 10 August 2004, judgment from a legal proceeding against the Company by Goldon Investment Limited ("Landlord") was delivered against the Company in the amount of HK$17,153,624.92 (the "Judgement debt") together with (1) interest to run on HK$2,249,142.60 at the annual rate of 1% over Hong Kong Prime from 31 March 1999 until 10 August 2004, and (2) interest to run on HK$14,904,482.32 from 1 December 2000, to 10 August 2004 at an annual rate 1% over Hong Kong Prime, and (3) thereafter interest to run on the entire amount of Judgment Debt at the judgment rate until full payment. On 21 September 2004, the Petitioning Creditor filed a petition for the winding up of the Company as a result of the Company's failure to repay amounts due to the Petitioning Creditor. The petition has been adjourned on several occasions to provide the Provisional Liquidators with further time to negotiate and implement a restructuring proposal for the Company. The latest adjournment of 8 May 2006 was granted by the Court on 9 January 2006.

(c) On 15 August 2005, a final revised Resumption Proposal was submitted to the Listing Division. On 7 September 2005, a restructuring agreement was entered into by the Company and the Investor for the Implementation of the restructuring proposal (see Note 2).

(d) Subsequent to the balance sheet date, in June 2005, the Provisional Liquidators agreed to dispose of Joinbest Investment Limited to the minority shareholders of Guizhou Ensure Chain Pharmacy Co., Ltd. realising a profit on disposal of approximately HK$3,941,000 (see Note 19 and 28(e) above).

40. POST BALANCE SHEET EVENTS (Continued)

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

41. APPROVAL OF FINANCIAL STATEMENTS

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