1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The functional currency of the Company is Renminbi ("RMB") which is the currency of the primary economic environment in which the group entities operates. For the purpose of presenting the consolidated financial statements, Hong Kong dollar is used as the presentation currency because the Company's shares are listed on the Stock Exchange in Hong Kong.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the manufacture and sales of pharmaceutical products.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The Group has already early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" in the preparation of consolidated financial statements for the year ended 31 March 2005. The effect of the adoption of these HKFRSs had been disclosed in the consolidated financial statements for the year ended 31 March 2005. The application of the remaining new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interest has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has had no material effect on how the results for the prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required. The adoption of the remaining new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current year are prepared and presented:

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 and HKAS 39 had no material impact to the Group's financial position, results and on how financial instruments of the Group are presented for current and prior accounting periods.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and building elements of a lease of land and building are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Accordingly, prepaid lease payments (non-current) and prepaid lease payments (current) amounted to HK$8,305,000 and HK$277,000, respectively, were reclassified from property, plant and equipment as at 31 March 2005.

The cumulative effects of the application of the new HKFRSs on 31 March 2005 are summarised below:

	As at 31.3.2005	**Adjustments**	**As at 31.3.2005**
	HK$'000	HK$'000	HK$'000
	(originally stated)	(Note)	(restated)
Property, plant and equipment	118,559	(8,582)	109,977
Prepaid lease payments	–	8,582	8,582
	118,559	–	118,559

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Owner-occupied leasehold interest in land (continued)

Note: The amounts represent adjustments to comparative figures for 2005 arising from reclassification of leasehold interests in land to prepaid lease payments under operating leases according to HKAS 17. These changes of accounting policies have been applied retrospectively.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The acquisition of subsidiaries, for which the agreement date was on or after 1 April 2004, had been accounted for under HKFRS 3 "Business Combinations". The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill arising on acquisition of additional interests in subsidiaries is recognised as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates (continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

For the business combinations with agreement date before 1 April 2004, goodwill arising on business combinations which represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition, is capitalised and amortised on a straight line basis over its economic useful life. From 1 April 2004 onwards, the Group has ceased annual amortisation of goodwill and to test for impairment at least annually.

For business combinations with agreement date on or after 1 April 2004, goodwill arising on business combinations, which represents the excess of the cost of acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition, is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in income statement and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Interests in associates' above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss at the balance sheet date.

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalised. Construction in progress is not depreciated until completion of construction and the asset is put into use. The cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives after considering the residual values, using the straight line method, at the following rates per annum:

Buildings	4%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20% – 50%
Motor vehicles	$12\frac{1}{2}$% – 30%
Plant and machinery	$6\frac{2}{3}$% – 30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Medicine production licence

Acquired medicine production licence is stated at cost less amortisation and any identified impairment loss. Amortisation is calculated on a straight line basis over its estimated useful economic life.

Technical know-how

Technical know-how for the production of new products is stated at cost less accumulated amortisation and any identified impairment loss. Amortisation is calculated on a straight line basis over its estimated useful life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. For goodwill arising on business combinations, impairment reviews are performed annually, or more frequently when there is an indication that goodwill might be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss recognised for goodwill arising from business combinations is not reversed in a subsequent period.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its estimated useful life.

When no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the presentation currency for the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2004 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 April 2004 are treated as non-monetary foreign currency items of the acquirer and reported using historical exchange rate prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The accounting policies adopted in respect of financial assets are set out below.

Loans and receivables

Loans and receivables (including trade and other receivables and loans to an associate) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Investments held for trading

Investments held for trading purposes are recognised on a trade-date basis and any gain and loss arising from changes in fair value are included in net profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank loans

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade and other payables

Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Retirement benefit costs

Payments made to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made the following judgements and estimation that have the most significant effect in the next financial year on the amounts recognised in the consolidated financial statements:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was HK$114,493,000 after an impairment loss of HK$174,000,000 was recognised during 2006. Details of the impairment loss calculation are provided in note 17.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Allowances for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, loans to an associate, bank balances and cash, trade and other payables, and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group does not expose to significant foreign currency risk as majority of its transactions are denominated in RMB. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is reduced.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The amounts in the balance sheets are net of allowances for bad and doubtful receivables, if any, estimated by the management based on past experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties, except for interest-bearing loans to an associate.

The credit risk on liquid funds is limited because majority of the counterparties are either banks of high credit quality in Hong Kong or state-owned banks in the People's Republic of China (the "PRC").

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank loans. The Group does not hedge its exposure to fair value interest rate risk. However, the management monitors interest rate exposure and will consider restructure the Group's credit facilities should the need arise.

6. REVENUE

Revenue, which is stated net of value added tax and other sales taxes and returns, represents amounts invoiced to customers for sales of pharmaceutical products during the year.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

In current year, the Group's operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of pharmaceutical products in the PRC. Accordingly, no business segment and geographical analysis of information is presented.

8. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**9,523**	4,699

9. (LOSS) PROFIT BEFORE TAX

	2006 HK$'000	2005 HK$'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	**2,523**	2,284
Other staff costs	**8,709**	8,048
Other staff's retirement benefits scheme contributions	**1,256**	1,070
	12,488	11,402
Auditors' remuneration	**700**	520
Depreciation of property, plant and equipment	**16,277**	9,621
Amortisation of intangible assets (included in administrative expenses)	**759**	350
Prepaid lease payments	**320**	202
Allowance for bad and doubtful receivables	**660**	–
Minimum lease payments under operating leases	**401**	413
Research and development costs	**342**	640
Cost of inventory recognised as an expense	**66,762**	52,635
Interest income on bank deposits	**(3,418)**	(1,751)
Interest income on loans to an associate	**(1,062)**	–
Gain on disposal of investment held for trading	**(967)**	–
Reversal of allowance for bad and doubtful receivables	**–**	(631)
Gain on disposal of property, plant and equipment	**(60)**	(61)

10. DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the directors were as follow:

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	**Total 2006 HK$'000**	Total 2005 HK$'000
Executive directors					
Ms. Zhang Cheng	–	–	–	**–**	–
Mr. Lin Dong	–	1,620	12	**1,632**	1,532
Mr. Feng Xiang Cai	–	405	12	**417**	402
Independent non-executive directors					
Mr. Qiu Yiyong	50	–	–	**50**	150
Ms. Jin Jane	158	–	–	**158**	100
Mr. Yin Dakui	158	–	–	**158**	100
Mr. Ngai Sau Chung, Howard	108	–	–	**108**	–
	474	2,025	24	**2,523**	2,284

During the year, no emoluments was paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included two executive directors of the Company, whose emoluments are included in note 10 above. The aggregate emoluments of the remaining three highest paid individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	873	768
Retirement benefits scheme contributions	27	26
	900	794

12. INCOME TAX CREDIT (CHARGE)

	2006 HK$'000	2005 HK$'000
The credit (charge) comprises:		
The PRC income tax	(1,094)	(3,784)
Deferred tax (note 19)	1,960	101
	866	(3,683)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operations in Hong Kong had no assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC income tax for the following three years. The first profit-making year of two PRC subsidiaries are the statutory financial year ended 31 December 2002 and 2005 respectively. Other PRC subsidiaries have not commenced their first profit-making years.

12. INCOME TAX CREDIT (CHARGE) (CONTINUED)

The tax credit (charge) for the year is reconciled to the (loss) profit before tax as follows:

	2006		2005	
	HK$'000	**%**	HK$'000	%
(Loss) profit before tax	**(183,552)**		23,670	
Tax credit (charge) at the applicable income tax rate	**60,572**	**33.0**	(7,811)	(33.0)
Tax effect of share of loss of associates	**(1,081)**	**(0.6)**	–	–
Tax effect of expenses not deductible for tax purposes	**(57,856)**	**(31.5)**	(963)	(4.1)
Tax effect of income not taxable for tax purposes	**1,239**	**0.7**	290	1.2
Effect of different tax rates of subsidiaries operating in Hong Kong	**(43)**	**(0.0)**	(786)	(3.3)
Effect of tax holiday of subsidiaries operating in the PRC	**2,415**	**1.3**	5,893	24.9
Tax effect of tax losses not recognised	**(4,361)**	**(2.4)**	(305)	(1.3)
Others	**(19)**	**(0.0)**	(1)	(0.0)
Tax credit (charge) and effective tax rate for the year	**866**	**0.5**	(3,683)	(15.6)

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2006	2005
	HK$'000	HK$'000
(Loss) earnings:		
(Loss) profit attributable to shareholders for the purposes of basic and diluted (loss) earnings per share	**(182,686)**	20,389

	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,411,440,590**	1,264,796,754
Effect of dilutive potential ordinary shares – option (Note)	**N/A**	100,245,328
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**N/A**	1,365,042,082

Note: There were no outstanding potential ordinary shares during the year ended 31 March 2006.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2004, originally stated	29,063	854	993	2,242	49,015	466	82,633
Effect of change in accounting policies (note 2)	(2,645)	–	–	–	–	–	(2,645)
At 1 April 2004, restated	26,418	854	993	2,242	49,015	466	79,988
Acquired on acquisition of subsidiaries	17,044	477	–	482	28,708	–	46,711
Additions	277	323	–	547	713	2,175	4,035
Disposals	–	–	–	(340)	–	–	(340)
Transfers	513	–	–	–	–	(513)	–
At 31 March 2005	44,252	1,654	993	2,931	78,436	2,128	130,394
Acquired on acquisition of subsidiaries	34,203	897	–	–	28,911	–	64,011
Additions	79	1,419	–	1,626	6,536	806	10,466
Disposals	–	(3)	–	(433)	(99)	–	(535)
Transfers	77	231	–	–	1,772	(2,080)	–
Exchange differences	2,048	63	–	76	2,801	56	5,044
At 31 March 2006	**80,659**	**4,261**	**993**	**4,200**	**118,357**	**910**	**209,380**
ACCUMULATED DEPRECIATION							
At 1 April 2004, originally stated	2,392	256	910	501	7,320	–	11,379
Effect of change in accounting policies (note 2)	(459)	–	–	–	–	–	(459)
At 1 April 2004, restated	1,933	256	910	501	7,320	–	10,920
Charge for the year	1,977	267	83	458	6,836	–	9,621
Eliminated on disposals	–	–	–	(124)	–	–	(124)
At 31 March 2005	3,910	523	993	835	14,156	–	20,417
Charge for the year	3,681	735	–	744	11,117	–	16,277
Eliminated on disposals	–	(2)	–	(292)	(29)	–	(323)
Exchange differences	144	20	–	24	496	–	684
At 31 March 2006	7,735	1,276	993	1,311	25,740	–	37,055
NET BOOK VALUES							
At 31 March 2006	**72,924**	**2,985**	**–**	**2,889**	**92,617**	**910**	**172,325**
At 31 March 2005	40,342	1,131	–	2,096	64,280	2,128	109,977

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No interest was capitalised under construction in progress during the year.

At the balance sheet date, the Group has pledged certain of its property, plant and equipment with an aggregate net book value of HK$56,613,000 (2005: HK$47,516,000) to certain banks to secure the credit facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006	2005
	HK$'000	HK$'000
Leasehold land outside Hong Kong:		
Medium-term lease	**10,066**	8,582
Analysed for reporting purposes as:		
Non-current portion	**9,747**	8,305
Current portion (note 21)	**319**	277
	10,066	8,582

16. INTANGIBLE ASSETS

	Medicine production licence HK$'000	Technical know-how HK$'000	Total HK$'000
COST			
Acquired on acquisition of subsidiaries	649	–	649
Additions	–	660	660
At 31 March 2005	649	660	1,309
Acquired on acquisition of subsidiaries	–	440	440
Additions	–	68	68
Exchange differences	17	28	45
At 31 March 2006	**666**	**1,196**	**1,862**
AMORTISATION			
Charge for the year and balance at 31 March 2005	305	45	350
Charge for the year	349	410	759
Exchange differences	12	5	17
At 31 March 2006	**666**	**460**	**1,126**
CARRYING VALUE			
At 31 March 2006	**–**	**736**	**736**
At 31 March 2005	344	615	959

Medicine production licence is amortised on a straight line basis over its estimated remaining useful economic life of two years.

Technical know-how is amortised on a straight line basis over its estimated useful economic life of five years.

17. GOODWILL

	HK$'000
COST	
At 1 April 2004, originally stated	121,910
Elimination of accumulated amortisation prior to the adoption of HKFRS 3	(8,091)
At 1 April 2004, restated	113,819
Arising on acquisition of subsidiaries	102,980
Arising on acquisition of additional interests in subsidiaries	14,604
At 31 March 2005	231,403
Arising on acquisition of subsidiaries (note 28)	57,090
At 31 March 2006	**288,493**
AMORTISATION	
At 1 April 2004, originally stated	8,091
Elimination of accumulated amortisation prior to the adoption of HKFRS 3	(8,091)
At 1 April 2004, restated, at 31 March 2005 and 31 March 2006	–
IMPAIRMENT	
Impairment loss recognised in the year ended 31 March 2006 and balance at 31 March 2006	174,000
CARRYING VALUE	
At 31 March 2006	**114,493**
At 31 March 2005	231,403

17. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to each CGU as follows:

	2006			
	Before impairment	**Impairment losses**	**Carrying amount**	2005
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Siping Ju Neng Medicine Industry Co., Ltd.	**128,423**	**94,000**	**34,423**	128,423
Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.	**102,980**	**59,000**	**43,980**	102,980
Siping Yatai Medicine Industry Co., Ltd.	**57,090**	**21,000**	**36,090**	–
	288,493	**174,000**	**114,493**	231,403

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the budget period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on an estimated growth rate of 6% and discounts at 8.5%. The growth rate does not exceed the average long term growth rate for the relevant markets. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The changes in selling prices and direct costs are based on past practices and expectation of future changes in the market.

During the year, due to the increased competition in the market, the Group has revised its cash flows forecasts for the CGUs. The CGUs have therefore been reduced to their recoverable amount through recognition of an impairment loss of HK$174,000,000 in profit or loss.

18. INTERESTS IN ASSOCIATES

	2006 HK$'000
Cost of unlisted investments in associates	120,000
Share of post acquisition losses	(3,275)
	116,725
Loans to an associate	37,825

The loans to the associate are unsecured, interest bearing at 7% and repayable within one year. The carrying amount of loans to an associate approximates their fair value.

Details of the Group's associates at 31 March 2006 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest voting power held	Principal activity
Skyyield Holdings Limited	British Virgin Islands	30%	Investment holding
Zhejiang Binjiang Construction Co., Ltd. 浙江濱江建設有限公司	PRC	30%	Property development

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information in respect of the Group's associates is set out below:

	2006 HK$'000
Total assets	769,770
Total liabilities	(380,687)
Net assets	389,083
Group's share of associates' net assets	116,725
Revenue	–
Loss for the period	(10,918)
Group's share of associates' loss for the period	(3,275)

19. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and the movements thereon during the current and prior years:

	Allowance for bad and doubtful receivables	Accrued expenses	Accelerated accounting depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2004	1,197	–	901	2,098
(Charge) credit to income statement for the year	(109)	–	210	101
At 31 March 2005	1,088	–	1,111	2,199
Credit to income statement for the year	–	1,742	218	1,960
Exchange differences	29	21	31	81
At 31 March 2006	**1,117**	**1,763**	**1,360**	**4,240**

At the balance sheet date, the Group has unutilised tax losses of HK$48,680,000 (2005: HK$30,142,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in the unutilised tax losses were unrecognised tax losses of HK$12,524,000 (2005: nil) attributable to subsidiaries in the PRC which will expire in 2010.

Deferred tax assets have been recognised as the relevant subsidiaries anticipate taxable profit in the future periods.

20. INVENTORIES

	2006	2005
	HK$'000	HK$'000
Raw materials	**1,316**	1,836
Packaging materials and consumables	**5,867**	4,652
Finished goods	**14,161**	7,905
	21,344	14,393

21. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	HK$'000
Trade receivables	**71,945**	63,212
Other receivables	**24,189**	27,669
Prepaid lease payments (note 15)	**319**	277
	96,453	91,158

The carrying amount of trade and other receivables approximates their fair value.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Payment terms with customers are mainly on credit. Invoices are normally settled within 90 days to 180 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables, net of allowances, at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Age		
0 to 90 days	**51,299**	53,222
91 to 180 days	**14,812**	8,740
181 to 365 days	**5,834**	1,250
	71,945	63,212

An allowance has been made for estimated irrecoverable trade receivables of HK$6,705,000 (2005: HK$5,847,000).

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and with interest rates ranged from 1% to 4% during the current year. The carrying amount of the bank balances and cash approximates to their fair value.

Included in the bank balances and cash as at 31 March 2006 were amounts in RMB of HK$15,076,000 (2005: HK$64,663,000) which are not freely convertible into other currencies.

23. TRADE AND OTHER PAYABLES

	2006 HK$'000	2005 HK$'000
Trade payables	**15,418**	9,765
Other payables	**18,511**	14,905
	33,929	24,670

The carrying amount of trade and other payables approximates to their fair value.

The following is an aged analysis of trade payables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
Age		
0 to 90 days	**8,603**	6,520
91 to 180 days	**3,112**	573
181 to 365 days	**1,282**	215
Over 365 days	**2,421**	2,457
	15,418	9,765

24. BANK LOANS

	2006 HK$'000	2005 HK$'000
Bank loans		
– secured	**57,060**	59,849
– unsecured	**98,646**	32,517
	155,706	92,366
The loans are repayable as follows:		
Within one year	**71,567**	73,516
In the second year	**26,112**	–
In the third year	**58,027**	18,850
	155,706	92,366
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(71,567)**	(73,516)
Amount due for settlement after 12 months	**84,139**	18,850

The carrying amounts of the Group's loans are all denominated in RMB.

The average interest rates paid were as follows:

	2006	2005
Bank loans	**5.5% – 8.3%**	5.3% – 8.3%

The carrying amount of bank loans approximates to their fair value.

25. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
At 31 March 2005 and 31 March 2006, ordinary shares of HK$0.05 each	10,000,000,000	500,000
Issued and fully paid:		
At 1 April 2004, ordinary shares of HK$0.05 each	1,036,440,590	51,822
– issue of new shares by placement	175,000,000	8,750
– exercise of option	200,000,000	10,000
At 31 March 2005 and 31 March 2006, ordinary shares of HK$0.05 each	1,411,440,590	70,572

26. SHARE OPTIONS

(a) The Company's share options scheme (the "Scheme") adopted on 14 January 2002 for the purposes of the recognition of the significant contribution of and for the provision of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors of or contractors to the Group or affiliates ("Eligible Persons") will expire on 13 January 2012. Under the terms of the Scheme, the board of directors of the Company may for a notional consideration of HK$1 grant options to the Eligible Persons to subscribe for shares in the Company at a price no less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Company's shares. Options granted under the Scheme must be taken up within 21 business days from the date on which the offer is made by returning a written acceptance of the offer signed by the Eligible Persons together with the payment of HK$1 per option (the "Acceptance Conditions"). Options granted and accepted may be exercised at any time for 10 years commencing on the date on which an option is accepted in accordance with the Acceptance Conditions under the Scheme (the "Option Period"). Options granted under the Scheme will be exercisable in the Option Period notwithstanding that the scheme period of the Scheme may have expired. The Scheme does not prescribe any minimum period for which an option must be held before it can be exercised and has not specified that the exercise of an option is subject to any performance target.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. The limit upon which the maximum number of shares may be granted under the Scheme cannot exceed 5,894,059 shares as at 31 March 2006. However, the Company may seek approval by its shareholders in general meeting to renew the Limit from time to time.

26. SHARE OPTIONS (CONTINUED)

(a) (continued)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. Option will not be granted to any Eligible Persons if the exercise in full of all options, including any unexercised options and shares already issued under all previous option granted, would in the 12-month period up to and including the date of such further grant enable that relevant Eligible Person to have shares exceeding 1% of the issued shares of the Company for the time being unless separate approval by the shareholders in general meeting is obtained.

No options have been granted by the Company under the Scheme since its adoption.

(b) Pursuant to a subscription and option agreement dated 21 February 2003, an option with the right to subscribe 200,000,000 new shares was granted to Guardwell for a consideration of HK$1 on 25 April 2003. The option entitles Guardwell to subscribe in cash at an initial subscription price of HK$0.20 per share, subject to adjustments, at any time between the date of grant up to 24 October 2004.

In 2005, Guardwell has exercised its right, resulting in the issue of 200,000,000 shares of HK$0.05 each of the Company at HK$0.20 per share.

27. RESERVES

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 28.

The special reserve of the Group represents the excess of the nominal amount of the shares of the subsidiaries at the date of the group reorganisation over the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain three statutory reserves, being a statutory surplus reserve fund, an enterprise expansion fund and a staff welfare fund which are non-distributable.

28. ACQUISITION OF SUBSIDIARIES

In April 2005, the Group acquired the entire issued share capital of Silver Epoch Investments Limited ("Silver Epoch") for a cash consideration of HK$30,000,000. Silver Epoch's principal asset is the entire equity interest in Siping Yatai Medicine Industry Co., Ltd. In July 2004, the Group acquired the entire issued share capital of Bright Central Investments Limited ("Bright Central") for a total consideration of HK$120,000,000. Bright Central's principal asset is the entire equity interest in Zhejiang Juneng Rosi Pharmaceutical Co., Ltd. These acquisitions have been accounted for by the acquisition method of accounting.

	2006	2005
	HK$'000	HK$'000
		(restated)
The carrying amounts and fair values of the assets and liabilities acquired:		
Property, plant and equipment	**64,011**	46,711
Intangible assets	**440**	649
Prepaid lease payments	**1,510**	6,488
Deposit made on acquisition of intangible assets	**264**	–
Deposit made on acquisition of property, plant and equipment	**–**	2,925
Inventories	**328**	7,621
Trade and other receivables	**2,657**	18,096
Bank balances and cash	**2,078**	5,574
Trade and other payables	**(10,772)**	(21,091)
Amount due to the Group	**(24,458)**	–
Short-term bank loans	**–**	(31,103)
Long-term bank loans	**(63,148)**	(18,850)
Goodwill arising on acquisition	**57,090**	102,980
	30,000	120,000
Satisfied by:		
Cash consideration paid	**30,000**	120,000
Net cash outflow arising on acquisition:		
Cash consideration	**(30,000)**	(120,000)
Deposit paid at 31 March 2005	**2,400**	–
Bank balances and cash acquired	**2,078**	5,574
Cash consideration paid	**(25,522)**	(114,426)

28. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The goodwill arising on the acquisition of Silver Epoch is attributable to the anticipated profitability from increased production capacity and anticipated future operating synergies from the combination. However, due to increased market competition subsequent to the acquisition, an impairment loss of HK$21,000,000 was recognised in the profit and loss for the year. Details are set out in note 17.

The subsidiaries acquired during the year contributed HK$134,000 to the Group's revenue, and loss of HK$7,106,000 to the Group's loss before tax.

If the acquisition had been completed on 1 April 2005, the consolidated loss for the year would have been HK$256,946,000 and no effect on total group revenue for the year. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor is intended to be a projection of future results.

29. OPERATING LEASE COMMITMENTS

The Group is committed to make the following future minimum lease payments for office property rented under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**706**	444
In the second to fifth year inclusive	**706**	–
	1,412	444

A lease is negotiated for 2 years and rentals are fixed throughout the lease term.

30. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding capital commitments as follows:

	2006 HK$'000	2005 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	2,210	5,656
– investment in the PRC	–	27,600
– technical know-how	97	94
	2,307	33,350

31. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

Transactions

During the year, group entities entered into the following transactions with a related party that is not a member of the Group:

	2006	2005
	HK$'000	HK$'000
Interest income on loans to an associate	**1,062**	–

Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**2,499**	2,260
Retirement benefits scheme contributions	**24**	24
	2,523	2,284

33. SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly owned by the Company, at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activity
China Value Assets Limited (note a)	British Virgin Islands	US$1	Investment holding
Merit Development Limited (note a)	British Virgin Islands	US$1	Investment holding
Bestime Systems Limited	British Virgin Islands	US$1	Investment holding
Billion Source Investments Limited	British Virgin Islands	US$2	Investment holding
Bright Central Investments Limited	British Virgin Islands	US$20,000	Investment holding
Man Lee Management Limited	Hong Kong	HK$2	Management services
Silver Epoch Investments Limited	British Virgin Islands	US$1	Investment holding
Value Brilliant Investments Limited	British Virgin Islands	US$30,000	Investment holding
四平巨能藥業有限公司 (Siping Ju Neng Medicine Industry Co., Ltd.) (Note b)	PRC	RMB55,350,000	Manufacture and sales of pharmaceutical products

33. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activity
浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) (Note b)	PRC	RMB33,333,300	Manufacture and sales of pharmaceutical products
四平亞太藥業有限公司 (Siping Yatai Medicine Industry Co., Ltd.) (Note b)	PRC	RMB50,000,000	Manufacture and sales of pharmaceutical products
北京博瑞企業管理有限公司 (Beijing Borui Corporate Management Co., Ltd.) (Note c)	PRC	RMB500,000	Management services

Notes:

(a) Directly held by the Company.

(b) Wholly foreign owned enterprises established in the PRC.

(c) Limited liability enterprise established in the PRC.

The Company holds 100% voting power of all subsidiaries listed above. None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

34. BALANCE SHEET INFORMATION OF THE COMPANY

Balance sheet information of the Company at the balance sheet date includes:

	2006	2005
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiaries	**376,151**	343,179
Current assets		
Accounts receivable	**39**	39
Amounts due from subsidiaries	**192,348**	227,415
Bank balances and cash	**10**	10
	192,397	227,464
Current liability		
Accounts payable	**(1,051)**	(876)
Net current assets	**191,346**	226,588
Net assets	**567,497**	569,767
Capital and reserves		
Share capital (note 25)	**70,572**	70,572
Reserves	**496,925**	499,195
Total equity	**567,497**	569,767

Loss of the Company for current year amounted to HK$2,270,000 (2005: HK$2,101,000).