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, Central, 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
- 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 2006, the Group had consolidated net current liabilities of approximately HK$79,001,000 (2005: consolidated net current liabilities of approximately HK$98,746,000) and consolidated net liabilities of approximately HK$77,758,000 (2005: HK$87,171,000). The Group however generated a profit attributable to equity holders of the Company for the year ended 31 March 2006 of approximately HK$9,413,000 (2005: net loss of HK$3,723,000) and reported a decrease in cash and cash equivalents for the year ended 31 March 2006 of approximately HK$2,423,000 (2005: HK$1,450,000). Notwithstanding the adverse financial position of the Group as at 31 March 2006, 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.

The Group has defaulted on the repayments of certain bank and other borrowings. On 27 September 2004, an application was filed by the Bank of China (Hong Kong) Limited for the appointment of provisional liquidators as trustees for Umbrella Finance Limited, which is beneficially a major creditor of the Company. On 13 October 2004, the High Court appointed Mr. Kelvin Flynn and Mr. Cosimo Borrelli, both of Alvarez & Marsal Asia Limited, as joint and several provisional liquidators of the Company to, inter alia, exercise the powers of the Company's board, to take into their custody and protect the assets of the Company and carry on and stabilize the operations of the Company and its subsidiaries, including facilitating a restructuring of the Company.

On 23 December 2004, the Provisional Liquidators entered into an escrow and exclusivity agreement (the "Exclusivity Agreement") with a preferred investor (the "Investor") regarding the implementation of a restructuring proposal for the Company (the "Restructuring Proposal").

Pursuant to the Exclusivity Agreement, the Provisional Liquidators granted the Investor an exclusive right to negotiate a legally binding agreement (the "Restructuring Agreement") for the implementation of the Restructuring Proposal.

On 25 February 2005, the Company submitted a proposal to the Listing Division of the Stock Exchange (the "Listing Division"), setting out the principal terms of the proposed restructuring and requesting the Stock Exchange'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.

2. BASIS OF PREPARATION (Continued)

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

(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.

A document containing, inter alia, details of the Restructuring Proposal and a notice convening the first Special General Meeting ("First SGM") was despatched to the Shareholders on 20 February 2006.

At the First SGM held on 14 March 2006, the resolutions proposed to approve the Ensure Settlement and the Hua xin Disposal were passed but the other resolutions were voted down by the Independent Shareholders. The results of the First SGM were announced on 9 June 2006. From the extensive and due enquiries made with various parties and investigations performed by Provisional Liquidators to understand the impasse with the Shareholders, it was brought to the attention of the Provisional Liquidators that Shareholders were concerned whether the Restructuring Proposal is in the best interests of the Creditors and the Shareholders. However, since the First SGM and up to the Latest Practicable Date, despite comments by various parties, no alternative proposal to restructure the Company has been forthcoming.

Since the First SGM, having realised that there is no alternative proposal and the outcome will be the winding up of the Company, certain major Shareholders have written to the Provisional Liquidators requesting, pursuant to the bye-laws of the Company, that the Provisional Liquidators convene a new special general meeting. The Provisional Liquidators have received requests from Shareholders representing over 65% of the existing issued share capital of the Company in aggregate to convene a new special general meeting to reconsider the Restructuring Proposal.

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

Up to the date of these financial statements, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2006 and which have not been adopted in these financial statements:–

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rate	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2006
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS-Int 4	Determining whether an Arrangement contains a Lease	1 January 2006

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and will be first applicable to the Group's financial statements for the year beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the measurement of investment property, which is stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from these estimates.

The Provisional Liquidators have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. There are no critical accounting judgments in applying the Group's accounting policies.

(c) Adoption of new and revised Hong Kong Financial Reporting Standards

During the current year, the Group has adopted the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. The new and revised HKFRSs which are relevant to the Group's operations are:–

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK – Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

The adoption of HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 27, 33, 37, 39, HK(SIC) – Int 21 and HK – Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements. The effect of the adoption of the other HKFRSs is summarised as follows:

HKAS 1 "Presentation of Financial Statements"

HKAS 1 has affected the presentation of minority interest on the face of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and other disclosures.

HKAS 24 "Related Party Disclosures"

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in Note 4 (y) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20 "Related Party Disclosures", still been in effect.

HKAS 32 "Financial Instruments: Disclosure and Presentation"

HKAS 32 has affected the disclosure of information to enhance understanding of the significance of financial instruments as to the Group's financial position, performance and cash flows, and assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments.

HKAS 40 "Investment Property"

The Group's investment property is stated at its open market value on the basis of annual valuation.

In prior years, any surplus or deficit on revaluation was taken to the investment property revaluation reserve unless the total of this reserve was insufficient to cover a deficit, in which case the amount by which the deficit exceeded the amount in the reserve was charged to the income statement. Following the adoption of HKAS 40, changes in fair value of the investment property are included in the income statement. The change in accounting policy has been applied retrospectively. There was no impact on opening retained profits from the adoption of HKAS 40.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new and revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 2 "Share-based Payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

In prior years, no amounts were recognized when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognizes the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve with equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

However, the adoption of the HKFRS had no effect on the results for current nor prior accounting periods as the Company has taken advantage of the exemptions from applying the Standard to share options which had vested before the effective date.

HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets"

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:–

Amortised on a straight-line basis over the economic useful life; and

Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:–

The Group ceased amortisation of goodwill from 1 January 2005;

Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill; and

From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication for impairment.

HKFRS 3 has been adopted prospectively after the adoption date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March 2006. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Acquisition of subsidiaries is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to fair values of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(e) Goodwill on consolidation

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Interests in subsidiaries

Interests in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment losses. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Interests in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Interests in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its interests in associates are stated at cost less impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(h) Property, plant and equipment and depreciation

Property, plant and equipment, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment.

The cost of an item of property, plant and equipment (an "Item") comprises its purchase price and any directly attributable costs of bringing the item to its working condition and location for its intended use. Expenditure incurred after the Item has been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 Item, the expenditure is capitalised as an additional cost of the Item.

When, in the opinion of the Provisional Liquidators, the recoverable amounts of property, plant and equipment have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Reductions of the carrying value are charged to the income statement, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

The gain or loss on disposal or retirement of an Item recognised in the income statement is the difference between the sale proceeds and the carrying amount of the relevant Item, and is recognised in the income statement. On disposal of a revalued Item, the relevant portion of the revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item over its estimated useful life. The principal annual rates used for this purpose are as follows:–

Buildings	4.75%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	9% – 33.33%
Motor vehicles	20%

(i) Investment property

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.

Investment property is stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement.

(j) 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 income statement 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 income statement 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 income statement 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 income statement on the straight-line basis over the lease terms.

(l) 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 income statement 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 income statement to the extent of the amounts previously charged.

(m) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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). 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 greater of net selling price 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. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

(p) 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:

(i) 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;

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

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

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

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

(q) 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 income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement 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.

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.

(s) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

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 income statement 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 income statement as they become payable in accordance with the rules of the central pension schemes.

Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Hong Kong dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

(u) Borrowing costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which they are incurred.

(v) Segment reporting

For reporting purposes, segment assets include those operating assets that are employed by a segment and segment liabilities include those operating liabilities that result from the operating activities by a segment, excluding tax assets and liabilities. Capital expenditure comprises additions to property, plant and equipment. Business segments have been used as the primary reporting format.

(w) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at cost less allowance for bad and doubtful debts.

(x) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(y) Related parties

A party is considered to be related to the Group if:–

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(ii) the party is an associate;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

(iii) the party is a member of the key management personnel of the Group;

(iv) the party is a close member of the family of any individual referred to in i) or iii);

(v) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in iii) or iv); or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(z) Judgement and estimates

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asses, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**47,637**	52,202	**–**	8,238	**123**	1,261	**1,563**	1,228	**–**	–	**49,323**	62,929
Intersegment sales	**274**	177	**–**	–	**–**	–	**–**	26	**(274)**	(203)	**–**	–
Other revenue	**54**	87	**–**	387	**–**	–	**17,592**	239	**–**	–	**17,646**	713
Total	**47,965**	52,466	**–**	8,625	**123**	1,261	**19,155**	1,493	**(274)**	(203)	**66,969**	63,642
Segment results	**(430)**	151	**–**	(960)	**(15)**	(4,815)	**15,053**	8,175			**14,608**	2,551
Interest and dividend Income											**708**	825
Unallocated revenue											**–**	(16,686)
Unallocated expenses											**–**	–
Profit/(loss) from operating activities											**15,316**	(13,310)
Finance costs											**(5,903)**	(7,098)
Gain on deconsolidation of a subsidiary											**–**	16,686
Profit/(loss) before tax											**9,413**	(3,722)
Tax											**–**	(1)
Profit/(loss) for the year											**9,413**	(3,723)
Minority interests											**–**	–
Profit/(loss) attributable to equity holders of the Company											**9,413**	(3,723)
Segment assets	**9,117**	11,319	**–**	–	**36**	986	**22,022**	13,971			**31,175**	26,276
Unallocated assets											**–**	–
Total assets											**31,175**	26,276
Segment liabilities	**6,548**	8,215	**–**	–	**199**	194	**59,785**	50,723			**66,532**	59,132
Unallocated liabilities											**42,401**	54,315
Total liabilities											**108,933**	113,447
Other segment information:												
Depreciation	**512**	867	**–**	115	**2**	5	**29**	114			**543**	1,101
Impairment losses included in the income statement	**–**	–	**–**	19	**–**	–	**–**	–			**–**	19
											543	1,120
Capital expenditure	**643**	261	**–**	19	**–**	–	**3**	–			**646**	280
Other non-cash Expenses	**144**	343	**–**	1,380	**123**	4,376	**711**	1,592			**978**	7,691

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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**49,200**	54,627	**123**	8,302	**–**	–	**49,323**	62,929
Other segment information:								
Segment assets	**30,337**	25,281	**838**	995	**–**	–	**31,175**	26,276
Capital expenditure	**646**	254	**–**	26	**–**	–	**646**	280

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	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Sale of sum yung and pharmaceutical products	**48,890**	53,056
Sale of biotechnological and transgenic products	**–**	8,238
Property investment – gross rental income	**123**	1,261
Others	**310**	374
	49,323	62,929
Other revenue		
Gain on disposal of subsidiaries	**17,589**	–
Interest income	**708**	823
Dividend income from listed investments	**–**	1
Others	**57**	714
	18,354	1,538

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Cost of inventories sold		**29,989**	34,017
Cost of services provided		**344**	317
Depreciation	*15*	**543**	1,094
Impairment of property, plant and equipment	*15*	**–**	19
Research and development expenditure*		**–**	795
Minimum lease payments under operating leases in respect of land and buildings		**5,604**	7,615
Auditors' remuneration		**286**	570
Staff costs (excluding directors' remuneration)			
Wages and salaries		**8,260**	10,856
Pension scheme contributions**		**428**	920
Bad debts written off		**–**	574
Gain on disposal of subsidiaries	*34(a)*	**(17,589)**	–
Loss on disposal of property, plant and equipment, net		**10**	3,407
Provision for doubtful trade receivables		**24**	–
Provision for prepayments and other receivables		**229**	648
Provision for amount due from a director		**–**	160
Provision for obsolete and slow-moving inventories		**–**	99
Provision for amounts due from intermediate holding companies, net		**334**	1,008
Provision for pending litigation		**–**	856
Loss on disposal of short term listed investments		**–**	8
Deficit on revaluation of investment property		**–**	365
Exchange losses, net		**7**	18
Net rental income		**(123)**	(1,174)
Dividend income from listed investments		**–**	(1)
Interest income		**(708)**	(823)

* 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 income statement.

** At 31 March 2006, the Group had no significant forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

8. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings wholly repayable within five years	**5,898**	7,076
Interest on finance leases	**5**	22
	5,903	7,098

9. GAIN ON DECONSOLIDATION OF A SUBSIDIARY

	2006	2005
	HK$'000	*HK$'000*
Shanghai Hua Xin High Biotechnology Inc. *(see Note 34(b))*	–	16,686

The subsidiary was deconsolidated as of 30 November 2004 and disposed of pursuant to an agreement dated on 15 November 2005 which was completed on 8 February 2006. Details of the deconsolidation 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:

	SUN Hiu Lu	**HUANG Shuyun**	**CHU Kwan**	**ZHAO Dake**	**ZHANG Ke,Winston**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006						
Fees	–	–	–	–	–	–
Mandatory provident fund contributions	–	–	–	–	–	–
Others	–	–	–	–	–	–
	–	–	–	–	–	–
2005						
Fees	–	–	–	–	–	–
Mandatory provident fund contributions	–	–	–	–	16	16
Others	282	282	282	282	927	2,055
	282	282	282	282	943	2,071

No fees or other emoluments were paid to the independent non-executive directors during the year (2005: nil).

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 (2005: five) non-director, highest paid employees are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,605**	1,550
Pension scheme contributions	**74**	68
	1,679	1,618

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

	Number of employees	
	2006	2005
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 (2005: 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	
	2006	2005
	HK$'000	*HK$'000*
Tax charge elsewhere for the year	–	1

12. TAX (Continued)

A reconciliation of tax expense applicable to profit/(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	
	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before tax	**9,413**	(3,722)
Tax at the applicable tax rates of 17.5% (2005: 17.5%)	**1,647**	(651)
Income not subject to tax	**(3,223)**	(108)
Expenses not deductible for tax	**228**	(902)
Tax loss not recognised	**1,348**	1,662
Tax charge	**–**	1

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Excess of tax allowance over depreciation	**(143)**	(261)
Tax losses	**(34,333)**	(32,985)
	(34,476)	(33,246)

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

13. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company is approximately HK$9,822,000 (2005: net loss of HK$36,737,000).

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year of approximately HK$9,413,000 (2005: net loss of HK$3,723,000), and the weighted average number of 1,403,796,698 (2005: 1,403,796,698) ordinary shares in issue during the year.

Diluted earnings/loss per share amounts for the years ended 31 March 2006 and 2005 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. PROPERTY, 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 1 April 2004	49,852	9,419	30,729	2,500	1,350	93,850
Additions	–	142	47	84	–	273
Disposals	–	(816)	(893)	(1,035)	–	(2,744)
Disposal – deconsolidated	(49,852)	(2,351)	(26,613)	(1,464)	(1,350)	(81,630)
At 31 March 2005 and 1 April 2005	–	6,394	3,270	85	–	9,749
Analysis of cost or valuation						
At cost	–	6,394	3,270	85	–	9,749
At 31 March 2005 valuation	–	–	–	–	–	–
	–	6,394	3,270	85	–	9,749
At 1 April 2005	–	6,394	3,270	85	–	9,749
Additions	–	444	202	–	–	646
Disposals	–	(1,744)	(80)	–	–	(1,824)
At 31 March 2006	–	5,094	3,392	85	–	8,571
Analysis of cost or valuation						
At cost	–	5,094	3,392	85	–	8,571
At 31 March 2006 valuation	–	–	–	–	–	–
	–	5,094	3,392	85	–	8,571
Accumulated depreciation						
At 1 April 2004	24,852	9,096	29,583	1,929	1,350	66,810
Provided during the year	–	388	545	161	–	1,094
Impairment	–	–	19	–	–	19
Disposals	–	(816)	(742)	(985)	–	(2,543)
Disposal – deconsolidated	(24,852)	(2,351)	(26,613)	(1,088)	(1,350)	(56,254)
At 31 March 2005 and 1 April 2005	–	6,317	2,792	17	–	9,126
Provided during the year	–	134	392	17	–	543
Disposals	–	(1,744)	(70)	–	–	(1,814)
At 31 March 2006	–	4,707	3,114	34	–	7,855
Net book value						
At 31 March 2006	**–**	**387**	**278**	**51**	**–**	**716**
At 31 March 2005	–	77	478	68	–	623

The net book value of the Group's office equipment held under finance lease as at 31 March 2006 amounted to approximately HK$1,000 (2005: HK$15,000).

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK'000*	Total *HK$'000*
Cost or valuation:			
At 1 April 2004	812	–	812
Written off	(812)	–	(812)
At 31 March 2005 and 1 April 2005	–	–	–
Additions	–	3	3
Written off	–	(3)	(3)
At 31 March 2006	–	–	–
Accumulated depreciation:			
At 1 April 2004	812	–	812
Written off	(812)	–	(812)
At 31 March 2005, 1 April 2005 and 31 March 2006	–	–	–
Net book value:			
At 31 March 2006	**–**	**–**	**–**
At 31 March 2005	–	–	–

16. INVESTMENT PROPERTY

Group

	2006 ***HK$'000***	2005 *HK$'000*
Cost or valuation:		
At 1 April	**835**	49,200
Deficit on revaluation	**–**	(365)
Disposals	**–**	(48,000)
At 31 March	**835**	835
Analysis of cost or valuation		
At cost	**–**	–
At 31 March 2005 valuation	**835**	835
	835	835
Net book value:		
At 31 March	**835**	835

16. INVESTMENT PROPERTY (Continued)

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

Further particulars of the Group's investment property are included on page 64 of the annual report.

The Group's investment property was revalued on 31 October 2005 by Vigers International Property Consultants, independent professionally qualified valuers, on an open market value, existing use basis. The Provisional Liquidators do not consider the fair market value of the investment property to be materially different as of 31 March 2006 to the valuation obtained as of 31 October 2005.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**29,344**	29,344
Due from subsidiaries	**340,822**	402,097
	370,166	431,441
Less: Provisions for impairment	**(29,344)**	(29,344)
Provisions for amounts due from subsidiaries	**(340,822)**	(391,637)
	–	10,460

The amounts due from 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		Principal activities
			Direct	Indirect	
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 dealing
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

* The subsidiaries were disposed of during the year.

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 liabilities 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 2006 HK$'000	Group 2005 HK$'000
Share of net assets	–	818
Due from associates	–	4,332
	–	5,150
Less: Provisions for impairment	–	(818)
Provisions for amounts due from associates	–	(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 Hua Xin Biotechnology Inc., which was deconsolidated as at 30 November 2004 and disposed of pursuant to an agreement dated on 15 November 2005 which was completed on 8 February 2006.

19. INVESTMENTS IN SECURITIES

	2006 *HK$'000*	2005 *HK$'000*
Unlisted, investments at deconsolidated amounts	–	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")	(i)	Mainland China	RMB10,000,000	–	51.00%	Retail of pharmaceutical products
Guizhou Ensure Medical Company Limited	(i)	Mainland China	RMB3,000,000	–	45.82%	Retail of pharmaceutical products
Shanghai Hua Xin High Biotechnology Inc.	(ii)	Mainland China	USD9,620,000	–	57.00%	Production and sale of biotechnological products

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.

On 14 June 2005, the Provisional Liquidators agreed to dispose of the Group's 100% equity interest in Joinbest to the minority shareholders of the Ensure subsidiaries and completion for the disposal was on 5 October 2005, realising a gain of approximately HK$4 million. 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 (see also Note 26(b)).

(ii) One of the Group's subsidiaries, Shanghai Hua Xin Biotechnology Inc. ("Hua Xin") 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 Hua Xin in year 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 Hua Xin. The management of Hua Xin 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 were stated at nil carrying value at 31 March 2005.

Pursuant to an agreement dated on 15 November 2005, which was completed on 8 February 2006, the Provisional Liquidators sold the Group's 57% equity interest in Hua Xin for a consideration of HK$15 million realising a gain on disposal of approximately HK$13.6 million. The disposal of Hua Xin also involves an assignment of debts to a third party of approximately (i) HK$31.26 million owing by Hua Xin to the Company, and (ii) HK$0.58 million owing by Hua Xin's immediate holding company to a fellow subsidiary.

20. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Merchandised goods	**5,810**	5,486

At the balance sheet date, nil (2005: HK$1,451,000) inventories are carried at net realisable value.

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	
	2006	2005
	HK$'000	*HK$'000*
Within 3 months	**325**	1,206
4 to 6 months	**23**	–
7 to 12 months	**–**	2
13 to 24 months	**–**	48
Over 24 months	**20**	18
	368	1,274

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's and Company's prepayments, deposits and other receivables are the balance of restructuring costs advanced by the investor and funds arising from realisation of assets being kept in escrow by the Provisional Liquidators of approximately HK$1,017,000 and HK$18,680,000 respectively (2005: HK$1,973,000).

23. DUE FROM INTERMEDIATE HOLDING COMPANIES

		Group		Company	
		2006	2005	**2006**	2005
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Due from Tin Ming	(a)	**13,454**	13,120	**13,454**	13,120
Due from Hong Tau	(b)	**1,202**	1,202	**1,202**	1,202
Less: Provisions for impairment		**(14,656)**	(14,322)	**(14,656)**	(14,322)
		–	–	**–**	–

Notes:

(a) The amounts of HK$7,111,000 and HK$6,343,000 (including interest amounting to approximately HK$1,604,000 and HK$1,243,000, 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$7,111,000 was originally due on 28 March 2002 and was extended to 31 March 2003 and 31 March 2004, while the amount of HK$6,343,000 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. 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 pursuing 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. TRADE PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 3 months	**2,924**	3,670
4 to 6 months	**420**	285
7 to 12 months	**6**	8
13 to 24 months	**–**	42
Over 24 months	**6,421**	6,495
	9,771	10,500

25. BANK AND OTHER BORROWINGS

		Group		Company	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current portion of bank and other borrowings	26	**42,400**	54,254	**38,000**	50,254
Current portion of finance lease payables	27	**1**	14	**–**	–
		42,401	54,268	**38,000**	50,254

26. BANK AND OTHER BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Convertible notes:				
Bank convertible note, secured – *Note (a)*	**38,000**	38,000	**38,000**	38,000
Other convertible notes, unsecured – *Note (b)*	**–**	12,254	**–**	12,254
	38,000	50,254	**38,000**	50,254
Other loans:				
Secured – *Note (c)*	**4,400**	4,000	**–**	–
	42,400	54,254	**38,000**	50,254
Convertible notes repayable:				
Within one year or on Demand – *Note (a), (b)*	**38,000**	50,254	**38,000**	50,254
In the second year	**–**	–	**–**	–
In the third to fifth years, inclusive	**–**	–	**–**	–
	38,000	50,254	**38,000**	50,254
Other loans repayable:				
Within one year or on demand – *Note (c)*	**4,400**	4,000	**–**	–
In the second year	**–**	–	**–**	–
	4,400	4,000	**–**	–
Total bank and other Borrowings	**42,400**	54,254	**38,000**	50,254
Portion classified as current liabilities *(Note 25)*	**(42,400)**	(54,254)	**(38,000)**	(50,254)
Long term portion	**–**	–	**–**	–

26. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) 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.
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:

- 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.

26. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) 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.
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.

On 5 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 Note 19).

(c)

	2006 ***HK$'000***	2005 *HK$'000*
Secured – Gain Alpha Finance Limited	**4,400**	4,000

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 2006, an amount of HK$4,400,000 was drawn down by the subsidiary. The repayment date of this amount was originally on 30 June 2006, however on 28 September 2006, Gain Alpha agreed to extend the repayment date to 31 January 2006. After 31 January 2006, several extensions were given by Gain Alpha and the latest repayment date was extended to 29 September 2006.

27. 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 ranging from 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 2006 *HK$'000*	Minimum lease payments 2005 *HK$'000*	**Present value of minimum lease payments 2006** *HK$'000*	Present value of minimum lease payments 2005 *HK$'000*
Amounts payable:				
Within one year	**2**	19	**1**	14
In the second year	**–**	1	**–**	1
In the third to fifth years, inclusive	**–**	–	**–**	–
Total minimum finance lease payments	**2**	20	**1**	15
Future finance charges	**(1)**	(5)		
Present value of lease obligations	**1**	15		
Less: Amount due from settlement within 12 months (shown under current liabilities)			**(1)**	(14)
Amount due for settlement after 12 months			**–**	1

28. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
At 1 April	**528**	536
Reversal of unutilised amounts	**(132)**	(8)
At 31 March	**396**	528
Portion classified as current liabilities	**(88)**	(186)
Long term portion	**308**	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.

29. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'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 (2005: 1,403,796,698) ordinary shares of HK$0.10 each	**140,379**	140,379

30. DUE TO SUBSIDIARIES

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

31. 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.

No share options were granted by the Company under the New Scheme during the year and up to the date of approval of these financial statements. All outstanding options of the Company vested prior to 1 January 2005. The Company has taken advantage of the transitional provisions in HKFRS 2 and not recognised the fair value of the outstanding options within equity.

31. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding during the year:

Name or category of participant	At 1 April 2005	Number of share options: Granted during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options	Exercise period of share options	Price of Company's shares**: 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	22-2-2005 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					

31. SHARE OPTION SCHEMES (Continued)

	Number of share options						Price of Company's shares**		
Name or category of participant	At 1 April 2005	Granted during the year	Lapsed during the year	At 31 March 2006	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$*
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	–	(1,000,000)	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	–	(1,000,000)	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	–	(3,000,000)	116,440,000					

* 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.

32. RESERVES

The details of movements in the Group's reserves are set out in the Consolidated Statement of Changes in Equity on page 16.

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	(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)
Net profit for the year	–	–	–	9,822	9,822
At 31 March 2006	140,694	297	78,810	(419,287)	(199,486)

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.

33. PLEDGE OF ASSETS

At 31 March 2006, 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.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:–		
Prepayment and other receivables	**2**	–
Investments in securities	**10,460**	–
Other payables and accruals	**(148)**	–
Due to a fellow subsidiary	**(16)**	–
	10,298	–
Disposal expenses	**2,367**	–
Gain on disposal of subsidiaries	**17,589**	–
	30,254	–
Satisfied by:		
Cash	**18,000**	–
Release of convertible notes	**12,254**	–
	30,254	–

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

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	**18,000**	–
Net inflow of cash and equivalents in respect of the disposal of subsidiaries	**18,000**	–

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

(b) Deconsolidation of a subsidiary

	2006	2005
	HK$'000	*HK$'000*
Net liabilities deconsolidated:		
Fixed assets	–	25,376
Inventories	–	2,621
Trade and other receivables	–	5,050
Bank balances and cash	–	603
Trade and other payables	–	(25,665)
Bank loan – unsecured	–	(8,956)
Other short term payables	–	(4,379)
Other loan – unsecured	–	(11,336)
	–	(16,686)
Gain on deconsolidation	–	16,686
Consideration	–	–
Satisfied by:		
Bank balances and cash	–	–

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

	2006	2005
	HK$'000	*HK$'000*
Cash and bank balances deconsolidated	–	(603)

35. 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.

36. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office and retail properties under operating lease arrangements.

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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**6,029**	4,397	**–**	–
In the second to fifth years, inclusive	**4,220**	5,005	**–**	–
After five years	**–**	–	**–**	–
	10,249	9,402	**–**	–

37. COMMITMENTS

In addition to the operating lease arrangements detailed in Note 36 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Donations to various research funds	**8,420**	8,420

38. RESTRUCTURING COSTS NOT PROVIDED FOR

Pursuant to the agreement for the implementation of a Restructuring Proposal dated 7 September 2005 ("Restructuring Proposal"), the Investor will pay fees, costs and expenses relating to the implementation of the Restructuring Proposal in the amount of HK$7.5 million. As at 31 March 2006, HK$4 million has been paid by the Investor to defray the costs incurred by the Provisional Liquidators, their advisers and other incidental costs. All fees and costs in excess of HK$7.5 million, whether arising before or after the completion of the restructuring shall be borne and paid out of the consideration to be paid by the Investor on completion and any other funds recovered by the Provisional Liquidators, with the approval of creditors and/or the Court as required.

Legal expenses incurred in relation to the Ensure Settlement and the disposal of Hua Xin do not form part of the costs incurred in the Restructuring Proposal and will be settled out of the assets of the Company.

39. RELATED PARTY TRANSACTIONS

(a) As disclosed in Note 23 to the financial statements, as at the balance sheet date, the Group advanced HK$13,454,000 (2005: HK$13,120,000) and HK$1,202,000 (2005: HK$1,202,000) 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 (2005: RMB10,000,000) granted to Hua Xin which was deconsolidated as of 30 November 2004 and disposed pursuant to an agreement dated on 15 November 2005 which was completed on 8 February 2006.

(c) In a previous year, loans advanced by Shenzhen Weiji to Hua Xin with total outstanding balance of RMB4,421,000 (2005: RMB4,421,000) were unsecured and repayable on 31 December 2005. Hua Xin was deconsolidated as of 30 November 2004 and disposed pursuant to an agreement dated on 15 November 2005 which was completed on 8 February 2006.

40. POST BALANCE SHEET EVENTS

On 8 May 2006, the Hong Kong Court ordered that the winding up petition against the Company be adjourned for a further hearing on 18 September 2006 to allow more time for the Provisional Liquidators to implement the Restructuring Proposal. On 26 May 2006, the Bermuda Court ordered that the winding up petition against the Company be adjourned until 29 September 2006. The Long Stop Date has also been extended to 26 September 2006 based on mutual agreement in writing between the Investor and the Company.

41. FINANCIAL INSTRUMENTS

a) Financial risk management

The Group is exposed to a variety of risks including, credit risk, liquidity risk and cash flow interest rate risk arising in the normal course of the Group's business activities.

The Group does not have any written risk management policies and guidelines. The Provisional Liquidators monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

i) Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

Cash is held with financial institutions of good standing.

41. FINANCIAL INSTRUMENTS (Continued)

a) Financial risk management (Continued)

ii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

b) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at bank, trade and other payables) are assumed to approximate their fair values.

The fair value of non-trade balances due from/to group and related companies has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

42. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Provisional Liquidators on 17 August 2006.