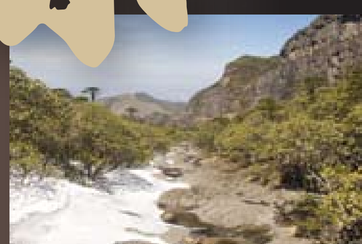
雲南實業控股有限公司
YUNNAN ENTERPRISES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability) (Stock Code: 0455)

雲南實業

Building a **Brighter Future**

Annual Report 2008



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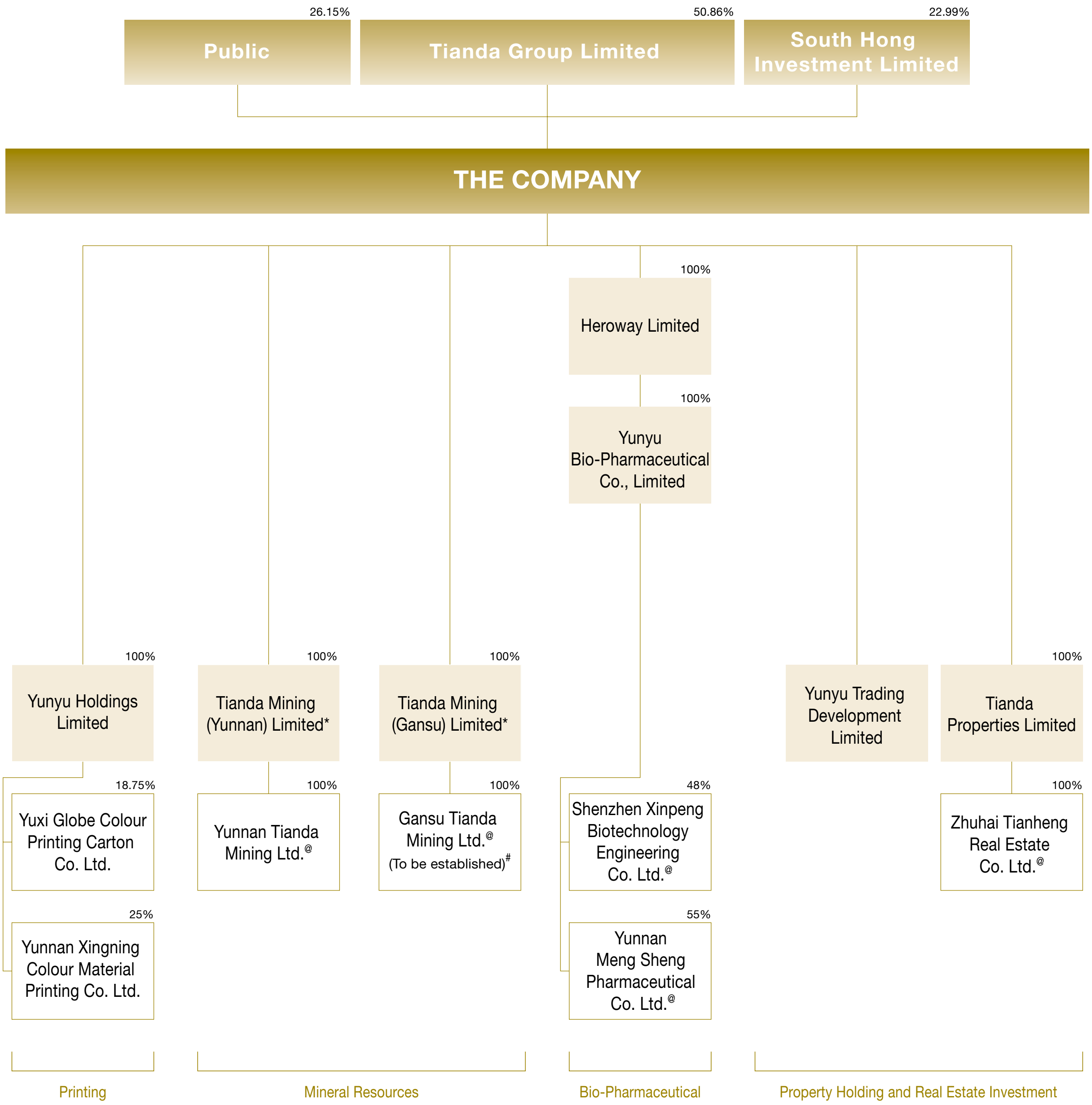
CORPORATE PROFILE

Yunnan Enterprises Holdings Limited (the "Company") is a company incorporated in the Cayman Islands with limited liability and is listed on The Stock Exchange of Hong Kong Limited. Its principal activity is investment holding. The Company and its subsidiaries (the "Group") is principally engaged in investment and development in mining and energy industries, research and development, manufacturing and sales of pharmaceutical products, cigarette packaging and printing, and property holding and real estate development.

The shareholding structure as at 31 March 2008 is shown as follows:



* Currently an associated company with Tianda Group

\# Established as at the date of this report

@ For identification purpose only

CORPORATE PROFILE

The controlling shareholder of the Company is Tianda Group Limited ("Tianda Group"), which holds 50.86% of the issued share capital of the Company. It also holds 0.79% of the issued share capital of the Company through South Hong Investment Limited, altogether holding a total of 51.65%. Tianda Group primarily focuses on the health industry and in particular the development of pharmaceuticals, medical care and biotechnology. In addition, Tianda Group is also dedicated to investment and development in mineral and energy resources, as well as international trade, property holding and development, and printing and packaging.

Tianda Group was established in New Zealand on 17 March 1993 and changed its domicile to Singapore on 17 July in the same year. Following its business development in Australia in November 1995, it set up its headquarter in Hong Kong in August 2002, and established its regional head offices in Sydney, Australia and Shenzhen, PRC, in order to fully capitalize on the opportunities arising from the blooming development in the Asia-Pacific region, economic globalization and world integration. By taking full advantages of Tianda Group's global human resources, information technology and innovation, it strives to provide better products and services. Through aggressive market development and cooperation with other international corporations, it would achieve its objectives of development.

South Hong Investment Limited ("South Hong") is another substantial shareholder of the Company, holding 22.99% of the issued share capital of the Company. South Hong is an investment company incorporated in Hong Kong and the controlling shareholder of South Hong is Hongta Tobacco (Group) Limited (formerly known as Yuxi Hongta Tobacco (Group) Limited) which is a state-owned enterprise in Yunnan Province, the Mainland of the People's Republic of China.

Hongta Tobacco (Group) Limited ("Hongta Group", formerly known as Yuxi Hongta Tobacco (Group) Limited) was established in 1995 after a operational transform from Yuxi Cigarette Factory, which was founded in 1956. Since then, it has developed into a diversified business group, taking tobacco production as its core business, and its products such as "Hongtashan", "Yuxi", "Hongmei" have gained honours both on a provincial and ministerial level for their quality. Thanks to its diversified operation by way of steady development, Hongta Group has invested in projects covering industries such as auxiliaries of tobacco, energy, transportation, biological pharmacy, finance and insurance.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Suiming *(Chairman)*
Ma Pizhi *(Managing Director)*
Fang Wen Quan
Li Guanglin
Liu Huijiang

Independent Non-Executive Directors

Chiu Sung Hong
Wu Wen Jing, Benjamin
Lam Yat Fai

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISERS

Woo, Kwan, Lee & Lo
25th Floor, Jardine House
1 Connaught Place
Hong Kong

QUALIFIED ACCOUNTANT

Cheung Chong Chi

COMPANY SECRETARY

Lee Ka Sze, Carmelo

AUDIT COMMITTEE

Chiu Sung Hong *(Chairman)*
Wu Wen Jing, Benjamin
Lam Yat Fai

REMUNERATION COMMITTEE

Ma Pizhi *(Chairman)*
Chiu Sung Hong
Wu Wen Jing, Benjamin
Lam Yat Fai

PRINCIPAL BANKERS

Bank of Communications
Merrill Lynch International Bank Limited
(Merchant Bank)
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

One Capital Place
P.O. Box 1787 GT
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2405-2410, 24th Floor
CITIC Tower
No. 1 Tim Mei Avenue
Central, Hong Kong

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

MEDIA AND INVESTOR RELATIONS

Sallus Wong
Tel: 852-2545 3313
Fax: 852-2541 6558
E-mail: info@yunnan.com.hk

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
(stock code: 455)

WEBSITE

www.yunnan.com.hk

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LI Suiming, aged 50, a senior engineer, graduated from Yunnan Polytechnic College. Mr. Li studied the master program of International Economic and Trade Relationships of Tianjin NanKai University in 2002 and obtained a master degree in 2004. Mr. Li held the posts of workshop chief and chief engineer in Yuxi Cigarette Factory from 1975 to 1997. He was the deputy officer of Hongta Group as from November 1997 and is now responsible for the diversified investment of Hongta Group. Mr. Li is currently the Chairman of the Company.

Mr. MA Pizhi, aged 52, graduated from the postgraduate programme of International Economic and Trade of Yunnan University and has experience in management and trading. He held the posts of vice director of Kunming Prices of Commodities Bureau during the period from June 1986 to October 1992, and of vice president of Kunming International Trade Centre during the period from October 1992 to July 1998. He was also the chairman of Kunming Kumlong Exhibition Service Co., Ltd., Kunming Ming Cheng Motor Service Co., Ltd., the vice chairman of Kunming Ming Cheng Communication Development Co., Ltd. and the assistant to general manager of Yunnan Hongta Industrial Co., Ltd. Mr. Ma is currently the managing director of the Company.

Mr. FANG Wen Quan, aged 39, is currently the Chairman and general manager of Tianda Group Limited, Tianda Pharmaceuticals Limited and Tianda Resources Limited.

Mr. LI Guanglin, aged 44, a senior accountant, graduated from the Yunnan Radio and TV University in 1987. He graduated from the postgraduate programme in Yunnan Institute of Finance and Trading in 1998. Mr. Li held the posts of section chief, deputy division chief and division chief of financial division of Chinese National Tobacco Corporation Yunnan Branch from 1993 to 2002. Mr. Li became the director and chief accountant of Hongta Tobacco (Group) Limited in April 2002. Mr. Li is also a non-executive director of Bank of Communications Co., Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. LIU Huijiang, aged 52, a senior engineer, graduated from College of Water Resources and Hydroelectric Engineering (now Wuhan University). Mr. Liu held the posts of design department head, assistant factory manager and factory manager of Yuxi Hydropower Supplies Factory from 1976 to 1993. He was appointed as deputy general manager of Yunnan Hongta Group Co., Ltd. as from January 1994. Mr. Liu is also the director of Sdic Yunnan Dachaoshan Hydropower Co., Ltd., Yunnan Huaneng Lancang River Hydropower Co., Ltd., Hongta Financial Investment Co., Ltd., China and China Everbright Bank Co., Ltd..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Sung Hong, aged 61, received an LL.B. degree from the University of Sydney. He is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 30 years of experience in legal practice. Mr. Chiu is the founding member of the Board of Trustees of the Australian Nursing Home Foundation and served as the General Secretary of Chinese Community Association of New South Wales. Mr. Chiu is an Independent Non-executive Director of the CNOOC Limited. Mr. Chiu was appointed by the Company as independent non-executive director, member of the remuneration committee and member and chairman of the audit committee on 10 April 2008.

Mr. WU Wen Jing, Benjamin, aged 40, graduated with a Master degree in Banking and Finance from the University of Technology, Sydney, Australia in 1995. He had served as Vice President at DBS Asia Capital Limited in Hong Kong responsible for managing and syndicating initial public offerings and other equity capital market transactions for both Hong Kong and Chinese corporations as well as advising them in mergers and acquisitions. Mr. Wu has over 10 years of investment banking experience in Hong Kong, Mainland China and Australia. He is also a non-executive director at Century Sunshine Ecological Technology Holdings Limited, a company listed on the Hong Kong GEM Board.

Mr. LAM Yat Fai, aged 42, is a Certified Public Accountant (Practising). He is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lam worked with Kwan Wong Tan & Fong and Deloitte Touche Tohmatsu for over 10 years. Mr. Lam has over 18 years of experience in auditing, taxation, corporate finance and accounting. Mr. Lam is also an independent non-executive director of G-Prop (Holdings) Limited, Oriental Press Group Limited and New Smart Energy Group Limited, all of which are public companies listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. HO Wing Fun, aged 75, has over 46 years' experience in operational management of property investment and development, specializing in accounting, auditing and taxation. Mr. Ho tendered his resignation as independent non-executive director, member of the remuneration committee and member and chairman of the audit committee on 10 April 2008 upon his retirement.

SENIOR MANAGEMENT

Mr. CHEUNG Chong Chi, aged 30, deputy Financial Controller of the Group. Mr. Cheung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung joined the Group in October 2007.

Ms. WONG Shan Shan, aged 36, is the Public Affairs and Investor Relations Director of the Group. Ms Wong holds a Bachelor degree in Business and Master degrees in International Marketing, Communication and New Media, Chinese Politics and Philosophy. She possesses over 10 years of experience in listed company affairs, communications, public affairs and investor relations. Before joining the Group in March 2008, she had worked in the capacity of head of public relations and corporate communication director for several listed companies.

Mr. CHAI Chung Wai, aged 41, is the Financial Controller of the Group until November 2007. Mr. Chai obtained a master's degree in Business Administration (MBA) and Master's Degree in PRC Accounting. Mr. Chai has 18 years' working experience related to audit, accounting and finance. He is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants of England and Wales. Mr. Chai had worked in a listed company in Hong Kong as the financial controller and company secretary for over four years.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$36.30 million representing an increase of 82% as compared to approximately HK$19.97 million in previous year. The increase in turnover was due to the increase in sales of pharmaceutical products during the year under review. Based on a valuation carried out by qualified professional valuer, the fair value of the Group's investment property at 31 March 2008 was determined as HK$23.00 million, resulting in a gain from change in fair value of the investment property of HK$5.60 million. On the other hand, a non-cash loss of approximately HK$133.07 million, arising from the difference between the fair value of the share-based payment (428,205,128 shares issued at HK$0.74 per share, the closing share price of the Company as quoted on the Stock Exchange upon completion of the Acquisition (the issue of the Consideration Shares for the Acquisition)) of approximately HK$316.87 million and the fair value of the identifiable assets received (representing the land and bank and cash balance) of approximately HK$183.80 million, was recognised according to the Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations 8 "Scope of HKFRS 2" as a result of the Group's acquisition of the entire issued share capital of Tianheng Properties Limited (formerly known as Tianda Properties Limited) and the related shareholder's loan from Tianda Group Limited ("the Acquisition"), details of which were set out in the circular of the Company dated 23 November 2007.

The effect of the recognition of such fair value difference, which in essence inflates the share premium account with a corresponding charge to the income statement, has no effect on the net assets value of the Group and arises purely from the accounting treatment in accordance with the HKFRS.

Should the Acquisition be accounted for by recognising the fair values of the share-based payment using the fair values of the land and bank and cash balance acquired, such non-cash difference between the fair value of the share-based payment and the fair value of the identifiable assets received will not exist, and the profit attributable to equity holders of the Company for the year will become approximately HK$11.72 million (2007: loss of HK$39.81 million) and earnings per share will become HK1.88 cents (2007: loss of HK7.86 cents).

The Group shared the gain of associated companies amounting to approximately HK$3.86 million during the year under review (a share of losses of associated companies amounting to approximately HK$16.20 million for the previous year), in which the Group shared the profit from Yunnan Xingning Colour Material Printing Co. Ltd. ("Yunnan Xingning") amounting to approximately HK$0.77 million and shared the profit from Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Shenzhen Xinpeng") amounting to approximately HK$3.09 million. Taking into account the income tax expense and the minority interests, the Group recorded a loss attributable to shareholders of the Company of approximately HK$121.35 million for the financial year ended 31 March 2008, compared to a loss of approximately HK$39.8 million for the previous year. Loss per share for the current year were HK19.44 cents with loss per share of HK7.86 cents for the previous year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2008.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONS ANALYSIS

Mineral and energy

During the year under review, the Group entered into a cooperative framework agreement with its strategic partners. As at the date of this report, the Group had been granted Certificate of Approval for Exploration in two mineral resources projects. On 27 February 2008, the Group, Hunan Nonferrous Metals Corporation Limited and Tianda Group entered into a cooperative framework agreement to form a JV Company for the development of nonferrous metal resources business in the five northwest provinces/regions of the PRC and cooperation in the investment and development of mineral resources projects in Australia. On 12 March 2008, the Group also entered into the Framework Agreement with Yunnan Province Non-Ferrous Metals Geological Bureau and Tianda Group for cooperation to explore and develop mineral resources in Yunnan Province. Subsequently, Department of Land & Resources of Yunnan Province has granted to Yunnan Tianda Mining Ltd., a non-wholly owned subsidiary of the Group, Certificate of Approval for Exploration of Mineral Resources in the two projects for the general exploration of lead and zinc mine at Huize County, Yunnan Province covering 45.45 sq. km and the prospecting of copper and multi-metal mine at Xinqiao, Dongchuan District, Yunnan Province covering 7.71 sq. km. The Group has launched exploration at the specified areas. Certain exploration projects in mineral resources of Tianda Mining (Gansu) Ltd., another non-wholly owned subsidiary of the Group, are also applying for approvals.

Pharmaceutical business

The Group's pharmaceutical business is run by its non-wholly owned subsidiary, Yunnan Meng Sheng Pharmaceutical Co. Ltd. ("Meng Sheng Pharmaceutical"), which is located in Kunming, the Yunnan Province. Sales orders for its product "Cerebroprotein Hydrolysate for Injection", is well received by the market, surged up in a fast pace. During the year under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK$35.45 million, represented an increase of 101% over the comparative amount last year and a net profit of approximately HK$18.74 million during the year under review. Its operating results continued to maintain its growing trend.

Property Development

The Group's property development business is mainly carried out by Zhuhai Tianheng Property Co. Ltd. ("Zhuhai Tianheng Property"), its wholly owned subsidiary in the PRC. It holds a piece of land located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai (the "Land"). The Land has a total site area of approximately 25,000 square meters. The development of the Land has yet to be commenced as the existing temporary buildings on the Land have not been demolished as planned given that the occupant of such buildings has yet to relocate from the Land. Zhuhai Tianheng Property has obtained the ownership of the Land and is in the process of requesting for the removal of such occupant in accordance with relevant law of the PRC.

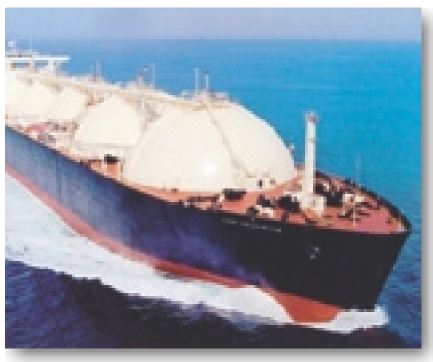
Associated companies

The product selling price of Shenzhen Xinpeng, one of the Group's associated companies, continued to face downward pressure during the period under review. Nevertheless, attributable to the enhanced marketing efforts enforced by the entity's sales team, sales quantity of the corresponding product was able to record mild growth. As a result, Shenzhen Xinpeng recorded a profit of approximately HK$6.44 million during the year under review. On the other hand, the product selling price of Yunnan Xingning, the Group's another associated company, faced downward pressure during the period under review. Yunnan Xingning recorded a net profit of approximately HK$3.07 million during the year under review (a net profit of approximately RMB3.81 million for the previous year) with approximately HK$0.77 million shared by the Group. Accordingly, the Group shares profit of associated companies amounting to HK$3.86 million during the year under review.

Investment

During the year ended 31 March 2008, the Group reviewed the recoverable amount of the investment in Yuxi Globe and determined a further provision for impairment loss of HK$260,000 was required (impairment loss of HK$22.48 million was provided in previous year). The recoverable amount calculation requires the Group to estimate the future dividend income expected to receive from the investment and a suitable discount rate in order to calculate the present value. The expected dividend income is based on the past performance and the management's expectations for market development.

OUTLOOK



In view of the increasing demand for resources due to the booming economy in China and the Asia-Pacific area, the prospects of the mineral and energy resources industry is optimistic with enormous potential for development. After prudent analysis and full discussions, the Company adjusted its business development objectives in a timely manner and actively explore business opportunities in the resources sector. To this end, the Group entered into cooperation framework agreements with its strategic partners and was later granted the Certificate of Approval for Exploration of Mineral Resources in two mineral resources projects. The sites are considered to hold potential deposit of copper, lead and zinc. It is applying for more mining rights. On the other hand, it will expand its presence in the resources arena through fundraising, merger and acquisition to enhance its pace of investment in the industry. It is expected that the strategy of focusing on mineral and energy resources development will bring a more significant gains to the Group.

With strong research and development foundation, Meng Sheng Pharmaceutical will continue to explore and develop other new products. Diversified product portfolio and modern production facilities enable the entity to cope with the intense competition in the domestic pharmaceutical market effectively. The Group therefore believes that the pharmaceutical business will be further enhanced in the future. Moreover, the operating results of the Group's two main associated companies, Shenzhen Xinpeng and Yunnan Xingning, will expect to improve by research and development of new medicine and increase under their existing experienced management team. The Group also commits to maintain its effective cost control measures. The Group therefore believes that satisfactory results could be achieved in the coming years.

In 2008, the property market of Zhuhai has experienced a slow down. According to the statistics published by the Zhuhai government, during the first half of 2008, the average commodity housing prices in the primary property market and secondary property market in May 2008 have recorded a decline of approximately 25.8% and 40.5% respectively over the average commodity housing prices in January 2008.

In view of the above and the estimated adverse effects of the macro-economic control measures implemented by the PRC government on the PRC properties market demand, the directors are uncertain over the future of the properties market in Zhuhai. After taking into account the risk involved in the development of the Land under the prevailing uncertain market situations and the unexpected delay in the development timetable of the Land, which was originally expected to commence construction work in the first quarter of 2008, as mentioned under "Operations Analysis", the Group will consider exiting from the property development industry in Zhuhai should opportunities arise, in order to release resources for allocation to other more profitable segments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to sustain a liquidity position. As at 31 March 2008, the Group had cash and bank balances of approximately HK$138.93 million. Approximately 18% and 36% of the cash and bank balances were denominated in United States dollar and Renminbi respectively with the remaining in Hong Kong dollar. As in the past, the Group has no external borrowings. With this strong financial position, the Group has sufficient financial resources to meet its operations and future development needs.

EXCHANGE RATE EXPOSURE

The Group's assets, liabilities and transactions are denominated in Hong Kong dollar, Renminbi or United States dollar. The Group considers that there is no material exchange rate risk currently and no hedging measures are necessary at this stage.

CHARGES ON ASSETS

The Group did not have any charges on assets as at 31 March 2008 and 31 March 2007.

EMPLOYEES

As at 31 March 2008, the Group employed approximately 100 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance, emphasizing transparency and accountability to the shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. The Company has met the code provisions as set out in the Code during the year ended 31 March 2008 except the code provision E.1.2 of the Code which provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. Li Suiming, the Chairman of the Board who resides in Yunnan, was unable to attend the annual general meeting of the Company held on 24 August 2007 in Hong Kong.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic development, financial performance and corporate governance of the Group. The management is delegated with the powers and authorities for overseeing the day-to-day operation of the Group.

During the year under review, the Board comprises five executive directors, being Mr. Li Suiming (Chairman of the Board), Mr. Ma Pizhi (Managing Director), Mr. Fang Wen Quan, Mr. Li Guanglin and Mr. Liu Huijiang, and three independent non-executive directors ("INED"), being Mr. Ho Wing Fun, Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai. As Mr. Ho Wing Fun tendered his resignation on 10 April 2008 upon his retirement, Mr. Chiu Sung Hong was appointed by the Board as an independent non-executive director on the same day. More than one of the INEDs have appropriate professional qualification in accounting or related financial management expertise. Save as disclosed in the biographical details of each director, there is no other relationship (including financial, business, family, or other material/relevant relationship) among members of the Board.

Other than Mr. Ho Wing Fun, the term of office of INED is for a period of two years until 31 December 2008. The term of office for Mr. Ho Wing Fun is one year and he tendered his resignation on 10 April 2008 upon his retirement. They are subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company. The Company has received annual confirmation of independence from the three INEDs in accordance with rule 3.13 of the Listing Rules.

The Board has established schedule of matters specifically reserves to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Board.

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances to enable them to discharge their duties at the Company's expenses. The Articles of the Company contain description of responsibility and operation procedure of the Board. The Board meets regularly to review the financial and operating performance of the Group. During the financial year ended 31 March 2008, the Board held 7 meetings. The attendance of the directors at the board meetings are as follows:

Directors	**Number of Attendance**
Mr. Li Suiming *(Chairman)*	4/7
Mr. Ma Pizhi *(Managing director)*	6/7
Mr. Fang Wen Quan	3/7
Mr. Li Guanglin	3/7
Mr. Liu Huijiang	5/7
Mr. Ho Wing Fun	1/7
Mr. Wu Wen Jing, Benjamin	2/7
Mr. Lam Yat Fai	3/7

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Li Suiming, and the Managing Director is Mr. Ma Pizhi. The Chairman's and the Managing Director's roles are separate and are clearly defined to ensure their independence, accountability and responsibility.

The Chairman provides leadership to the Board to ensure that the Board works effectively and discharges its responsibilities; and encourages and facilitates active contribution of directors to the Board's affairs and constructive relation between executive and non-executive directors. The Managing Director, supported by other Board members and senior management, is responsible for managing the day-to-day business of the Company. He is also accountable to the Board for the coordination of overall business operations.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established in September 2005. It comprises three independent non-executive directors of the Company, Mr. Ho Wing Fun, Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai and one executive director of the Company, Mr. Ma Pizhi (who is the Chairman of the remuneration committee). As Mr. Ho Wing Fun tendered his resignation on 10 April 2008 upon his retirement, Mr. Chiu Sung Hong was appointed by the Board as a member of the remuneration committee on the same day. The remuneration committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration to all directors and senior management of the Company and is delegated by the Board the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company.

The remuneration committee held one meeting during the year to review and consider, inter alia, the remuneration policy, remuneration of the executive directors and independent non-executive directors and compensation of key management personnel.

Details of individual attendance of its members are as follows:

	Number of attendance
Mr. Ma Pizhi *(Chairman)*	1/1
Mr. Ho Wing Fun	0/1
Mr. Wu Wen Jing, Benjamin	1/1
Mr. Lam Yat Fai	1/1

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become directors when necessary. In evaluating whether an appointee is suitable to act as a director, the Board will consider the experience, qualification and other relevant factors. During the year, there was no change in the composition of the Boards.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the company, being Mr. Ho Wing Fun (Chairman), Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai. As Mr. Ho Wing Fun tendered his resignation on 10 April 2008 upon his retirement, Mr. Chiu Sung Hong was appointed by the Board as a member and chairman of the audit committee on the same day. The role and function of the audit committee include the following:

– review of and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

– review of the annual and interim financial statements prior to their approval by the Board, and recommending application of accounting policies and changes to the financial reporting requirements.

– review of the Company's financial controls, internal controls and risk management systems to ensure that management has discharged its duty to have an effective internal control system.

During the year ended 31 March 2008, the audit committee held 3 meetings. Details of individual attendance of its members are as follows:

	Number of attendance
Mr. Ho Wing Fun *(Chairman)*	1/3
Mr. Wu Wen Jing, Benjamin	2/3
Mr. Lam Yat Fai	3/3

The work performed by the audit committee during the year includes the following:

– review of the financial statements for the year ended 31 March 2007 and for the six months ended 30 September 2007.

– considering and approval of the remuneration and terms of engagement of the external auditors.

– review of the internal control and financial reporting matters of the Company.

AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the year provided by Deloitte Touche Tohmatsu, the external auditors of the Company, amounted to HK$778,872 and HK$1,426,713 respectively.

FINANCIAL REPORTING AND INTERNAL CONTROL

The directors of the Company acknowledge that it is their responsibilities for preparing the financial statements. The directors of the Company consider that the Group's financial statements have been properly prepared in accordance with relevant regulations and applicable accounting principles. The directors of the Company are not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the Company's ability to continue as a going concern. The statement of the auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 23.

The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. Based on the results of the review, the Group would take steps to further enhance the effectiveness of the internal control system.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, they all confirm that they have complied with the Model Code throughout the year ended 31 March 2008.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circulars of the Company accompanying notices convening general meeting and had been read out at the general meetings.

At the 2007 annual general meeting, a separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of directors. In the absence of the Chairman of the Board, the Managing Director acted as chairman of the annual general meeting and together with other Directors and members of the Audit Committee and Remuneration Committee attended the 2007 annual general meeting to answer questions raised by shareholders.

INVESTOR RELATIONS

The Group fully recognizes the importance of employing a professional, truthful and proactive attitude in promoting investor relations. This underscores the Group's persistence in maintaining optimum all-round communications with investors, allowing it to collect information and valuable feedbacks from investors and announce its business strategy and direction in due course. These efforts are critical for the Group to improve its corporate governance and strengthen investor confidence.

Ensuring high corporate transparency is a key emphasis in the Group's investor relations activities. During the year under review, the Group promoted investor relations through different channels. Regular meetings are held between the management and investors and Public Affairs and Investor Relations Director is appointed. Latest information regarding the Group and its business is proactively disclosed to investors so that the best investment decisions can be made. Whenever announcements on annual results, interim results and material transactions are made, the Group will capitalize such opportunities to enhance communications with investors, explaining to them the Group's latest operational situations and direction of development.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associated companies are investment and development in mineral and energy sectors, sales of pharmaceutical products, cigarette packaging and printing, property holding and real estate development, and investment holding.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2008 is set out in note 7 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, the five largest customers of the Group accounted for approximately 93% of the Group's total turnover while the largest customer of the Group accounted for approximately 82% of the Group's turnover. In addition, for the year ended 31 March 2008, the five largest suppliers of the Group accounted for approximately 33% of the Group's total purchases while the largest supplier of the Group accounted for approximately 10% of the Group's total purchases.

None of the directors, any of their associates or any shareholders of the Company (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had a beneficial interest in the Group's five largest customers or suppliers during the year.

RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 24.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 83 of this annual report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2008, the Company had no retained profit available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands. Further the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 March 2008, the Company's share premium account amounted to HK$473,077,599.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Li Suiming *(Chairman)*
Ma Pizhi *(Managing Director)*
Fang Wen Quan
Li Guanglin
Liu Huijiang

Independent non-executive directors:

Chiu Sung Hong (appointed on 10 April 2008)
Wu Wen Jing, Benjamin
Lam Yat Fai
Ho Wing Fun (resigned on 10 April 2008)

In accordance with Articles 91 and 99 of the Company's Articles of Association, Messrs. Li Suiming, Ma Pizhi, Liu Huijiang and Chiu Sung Hong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Except for Ho Wing Fun who was appointed for a term of 1 year and tendered his resignation on 10 April 2008 upon his retirement, the other independent non-executive directors are appointed for a term of 2 years until 31 December 2008 and are subject to retirement in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, except for Mr. Fang Wen Quan who is also the beneficial owner of Tianda Group Limited, one of the substantial shareholders of the Group (whose interest is set out in the section "Substantial Shareholders" below), none of the director nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register as required to be kept by the Company under Section 352 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" below, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors nor any of their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

CONNECTED TRANSACTIONS

During the year, the Company has acquired 100% equity interest in Tianda Properties Limited (now renamed as "Tianhang Properties Limited") and the shareholder's loan from Tianda Group Limited for a consideration of HK$167 million. The consideration was settled by the issue of 428,205,128 Consideration Shares. Tianda Group Limited was wholly owned by Mr. Fang Wen Quan, an executive Director of the Company holding 9.35% of the equity interest in the Company before the transaction. Tianda Properties Limited and its subsidiaries held a piece of land located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai ("the Zhuhai Land") and cash of HK$67 million on the date of Completion. The transaction was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the market value of the Zhuhai Land as at 31 August 2007 and the aggregate balance of cash and bank of Tianda Properties Limited and its subsidiary on the date of Completion.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in 5% or more of the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares held	%
Tianda Group Limited	Beneficial owner	475,586,080 (Note 1)	50.86
Mr. Fang Wen Quan	Held by controlled corporation	475,586,080 (Note 1)	50.86
South Hong Investment Limited	Beneficial owner	214,992,928 (Note 2)	22.99
Hongta Tobacco (Group) Limited	Held by controlled corporation	214,992,928 (Note 2)	22.99

Notes:

(1) These 475,586,080 shares are beneficially owned by Tianda Group Limited. Mr. Fang Wen Quan has 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the said 475,586,080 shares owned by Tianda Group Limited.

(2) These 214,992,928 shares are beneficially owned by South Hong Investment Limited ("South Hong"). South Hong was beneficially owned as to approximately 92.28% by Hongta Tobacco (Group) Limited. Accordingly, Hongta Tobacco (Group) Limited is deemed to be interested in the 214,992,928 shares owned by South Hong.

All the interests stated above represent long positions. As at 31 March 2008, no short position was recorded in the register kept by the Company under section 336 of the SFO.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more in the Company's issued share capital as at 31 March 2008.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director or any of his associates and executive is involved in dealing his own remuneration.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 March 2008.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Li Suiming
Chairman

Hong Kong, 23 July 2008

Deloitte.
德勤

TO THE SHAREHOLDERS OF YUNNAN ENTERPRISES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yunnan Enterprises Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 82, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	**2008** **HK$**	2007 HK$
Revenue	7	**36,303,710**	19,970,014
Cost of sales		**(10,069,226)**	(8,379,793)
Gross profit		**26,234,484**	11,590,221
Other income and gains	8	**4,274,621**	2,637,417
Distribution costs and selling expenses		**(1,709,130)**	(654,754)
Administrative expenses		**(15,011,270)**	(13,707,521)
Gain arising from change in fair value of an investment property	14	**5,600,000**	1,800,000
Share of results of associates	18	**3,859,333**	(16,196,039)
Impairment loss on investment in an investee company	19	**(260,000)**	(22,480,000)
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	35(d)	**(133,073,501)**	–
Loss before tax		**(110,085,463)**	(37,010,676)
Income tax expense	9	**(2,831,474)**	(56,480)
Loss for the year	10	**(112,916,937)**	(37,067,156)
Loss attributable to:			
Equity holders of the Company		**(121,350,292)**	(39,811,376)
Minority interests		**8,433,355**	2,744,220
		(112,916,937)	(37,067,156)
		HK cent	HK cent
Basic loss per share	12	**(19.44)**	(7.86)

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	NOTES	**2008 HK$**	2007 HK$
NON-CURRENT ASSETS			
Investment property	14	**23,000,000**	17,400,000
Property, plant and equipment	15	**24,890,975**	24,755,418
Prepaid lease payments	16	**3,897,403**	3,640,439
Goodwill	17	**5,895,113**	5,250,359
Interests in associates	18	**50,013,527**	42,472,664
Investment in an investee company	19	**32,465,141**	32,725,141
		140,162,159	126,244,021
CURRENT ASSETS			
Inventories	20	**2,733,854**	1,742,685
Properties held for development	21	**118,051,261**	–
Loan to former ultimate holding company	35(a)	**–**	350,000
Loan to an investee company	35(a)	**–**	49,583
Trade and other receivables	22	**4,198,197**	7,657,579
Prepaid lease payments	16	**87,283**	79,570
Tax recoverable		**–**	84,747
Available-for-sale investment	23	**3,437,813**	–
Bank deposits	24	**99,018,328**	57,596,225
Bank balances and cash	24	**39,916,148**	8,545,892
		267,442,884	76,106,281
CURRENT LIABILITIES			
Trade and other payables	25	**5,013,402**	4,183,300
Government grants – current portion	26	**333,439**	400,135
Deposit received	27	**–**	303,515
Amount due to an associate	35(a)	**909,362**	809,904
Tax payable		**1,072,091**	6,633
		7,328,294	5,703,487
NET CURRENT ASSETS		**260,114,590**	70,402,794
Total assets less current liabilities		**400,276,749**	196,646,815
NON-CURRENT LIABILITY			
Government grants – non-current portion	26	**2,504,535**	2,536,882
		397,772,214	194,109,933
CAPITAL AND RESERVES			
Share capital	28	**93,505,908**	50,685,395
Reserves		**286,423,766**	126,169,803
Equity attributable to equity holders of the Company		**379,929,674**	176,855,198
Minority interests		**17,842,540**	17,254,735
		397,772,214	194,109,933

The consolidated financial statements on pages 24 to 82 were approved and authorised for issue by the Board of Directors on 23 July 2008 and are signed on its behalf by:

LI SUIMING
Chairman

MA PIZHI
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company											
		Reserves										
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$	Special reserve HK$ Note (i)	Statutory reserves HK$ Note (ii)	Exchange reserve HK$	Change in fair value of available-for-sale investment HK$	Accumulated losses HK$	Sub-total HK$	Minority interests HK$	Total HK$
At 1 April 2006	50,685,395	202,203,225	8,000	(7,938,469)	3,460,016	4,699,691	3,126,416	–	(43,892,482)	161,666,397	13,725,847	226,077,639
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	4,324,435	–	–	4,324,435	784,668	5,109,103
Loss for the year	–	–	–	–	–	–	–	–	(39,811,376)	(39,811,376)	2,744,220	(37,067,156)
Total recognised income and expenses for the year	–	–	–	–	–	–	4,324,435	–	(39,811,376)	(35,486,941)	3,528,888	(31,958,053)
Utilisation of statutory reserves	–	–	–	–	–	(9,653)	–	–	–	(9,653)	–	(9,653)
Transfer to reserves	–	–	–	–	–	942,752	–	–	(942,752)	–	–	–
At 31 March 2007 and 1 April 2007	50,685,395	202,203,225	8,000	(7,938,469)	3,460,016	5,632,790	7,450,851	–	(84,646,610)	126,169,803	17,254,735	194,109,933
Gain on fair value changes of available-for-sale investment	–	–	–	–	–	–	–	108,420	–	108,420	–	108,420
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	10,621,461	–	–	10,621,461	1,837,716	12,459,177
Total income recognised directly in equity	–	–	–	–	–	–	10,621,461	108,420	–	10,729,881	1,837,716	12,567,597
Loss for the year	–	–	–	–	–	–	–	–	(121,350,292)	(121,350,292)	8,433,355	(112,916,937)
Total recognised income and expenses for the year	–	–	–	–	–	–	10,621,461	108,420	(121,350,292)	(110,620,411)	10,271,071	(100,349,340)
Issue of new shares (notes 28 and 35(d))	42,820,513	274,051,281	–	–	–	–	–	–	–	274,051,281	–	316,871,794
Expenses relating to issue of new shares	–	(3,176,907)	–	–	–	–	–	–	–	(3,176,907)	–	(3,176,907)
Transfer to reserves	–	–	–	–	–	2,868,135	–	–	(2,868,135)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	(9,683,266)	(9,683,266)
At 31 March 2008	**93,505,908**	**473,077,599**	**8,000**	**(7,938,469)**	**3,460,016**	**8,500,925**	**18,072,312**	**108,420**	**(208,865,037)**	**286,423,766**	**17,842,540**	**397,772,214**

Notes:

(i) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of a subsidiary acquired by the Company pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1992.

(ii) The statutory reserves represent the appropriation of certain percentages of profit after taxation of the subsidiaries established in the Mainland of the People's Republic of China (the "PRC") as recommended by the directors of those subsidiaries based on the PRC statutory financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$	2007 HK$
OPERATING ACTIVITIES		
Loss before tax	**(110,085,463)**	(37,010,676)
Adjustments for:		
Amortisation of intangible assets	**–**	59,099
Amortisation of prepaid lease payments	**82,457**	77,467
Depreciation of property, plant and equipment	**3,157,436**	2,883,119
Loss on disposal of property, plant and equipment	**–**	35,140
Gain arising from change in fair value of an investment property	**(5,600,000)**	(1,800,000)
Government grants deducted against research and development costs	**(53,261)**	(491,997)
Government grants released to income	**(309,288)**	(145,284)
Impairment loss on intangible assets	**–**	1,426,224
Impairment loss on investment in an investee company	**260,000**	22,480,000
Impairment loss on loan to an investee company	**54,390**	717,255
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	**133,073,501**	–
Interest income from bank deposits	**(2,575,438)**	(2,428,094)
Fair value gain on held-for-trading equity	**(1,312,725)**	–
Share of results of associates	**(3,859,333)**	16,196,039
Write-down of inventories	**97,186**	104,497
Operating cash flows before movements in working capital	**12,929,462**	2,102,789
(Increase) decrease in inventories	**(919,412)**	538,822
Decrease in trade and other receivables	**4,201,740**	265,656
Increase in trade and other payables	**582,367**	313,208
Decrease in deposit received	**(332,939)**	(708,202)
Increase in trading of held-for-trading equity	**1,320,274**	–
Cash generated from operations	**17,781,492**	2,512,273
PRC income tax (paid) refunded	**(1,664,155)**	51,846
NET CASH GENERATED FROM OPERATING ACTIVITIES	**16,117,337**	2,564,119
INVESTING ACTIVITIES		
Increase in bank deposits	**(41,422,103)**	(14,444,497)
Purchase of available-for-sale investment	**(3,329,393)**	–
Purchase of property, plant and equipment	**(1,293,690)**	(5,119,094)
Repayment from (advance to) former ultimate holding company	**350,000**	(350,000)
Interest received	**2,575,438**	2,428,094
Dividend received from an associate	**661,823**	706,699
NET CASH USED IN INVESTING ACTIVITIES	**(42,457,925)**	(16,778,798)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$	2007 HK$
FINANCING ACTIVITIES		
Increase in government grants	**–**	1,329,722
Acquisition of assets through purchase of a subsidiary (note 35(d))	**67,118,368**	–
Share issue expenses	**(3,176,907)**	–
Dividend paid to a minority shareholder of a subsidiary	**(9,683,266)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**54,258,195**	1,329,722
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**27,917,607**	(12,884,957)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**8,545,892**	20,318,641
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,452,649**	1,112,208
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**39,916,148**	8,545,892

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, its ultimate holding company and parent company was changed from South Hong Investment Limited to Tianda Group Limited, a private limited company incorporated in Hong Kong (more details are described in note 35(d)). The address of the registered office and the principal place of business of the Company are disclosed on page 4 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Group are sales of pharmaceutical and biotech products, property holding, investment holdings, properties development and exploration and development of mineral resources.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC) – Int 8")	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HK(IFRIC) – Int 8 applies to share-based payment transactions (as defined in HKFRS 2) when the identifiable consideration received (or to be received) by the entity (if any) appears to be less than the fair value of the equity instruments granted or the liability incurred. When the unidentifiable goods or services received at the grant date do not qualify for recognition as assets, they shall be recognised as expenses. Accordingly, an amount of approximately HK$133 million representing the unidentified goods and services received in relation to an acquisition transaction carried out in current year has been charged to consolidated income statement (details are set out in note 35(d)).

Except for the effect of adoption of HK(IFRIC) – Int 8, the adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. The relevant comparative information based on the requirements of HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new, revised or amended standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arranagements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

The adoption of the revised HKFRS 3 may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised HKAS 27 will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The potential impact arising from the adoption of the revised HKAS 27 and the revised HKFRS 3 is not reasonably estimable in the director's opinion.

Other than those stated above, the directors of the Company anticipate that the application of the new, revised or amended standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the investment property and certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions of net assets and operations of another entity prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisition of net assets and operations of another entity after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill *(Cont'd)*

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Revenue recognition

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

Revenue from the sales of goods is recognised when goods are delivered and title has passed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Share-based payment transaction

Shares issued in exchange for goods or services are measured at the fair value of the goods or services received. In case where the identifiable consideration received appears to be less than the fair value of the equity instruments granted or the liability incurred, measurement of both the goods or services received and the share-based payment may be necessary in order to measure the value of the unidentifiable goods or services received. When the unidentifiable goods or services received at the grant date do not qualify for recognition as assets, they shall be recognised as expenses.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value using the fair value model. Gain or loss arising from change in the fair value of investment property is included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	3% – 9%
Plant and machinery	5% – 10%
Leasehold improvements	10% – $33^1/_3$%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%

Construction in progress represents plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Properties held for development

Properties held for development represent leasehold land located in the PRC for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other directly attributable costs. Properties for development are stated at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Financial instruments

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets at FVTPL, of which interest income is included in net gains or looses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL is classified as financial assets held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to ultimate holding and an investee company, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Effective interest method *(Cont'd)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments (investment in an investee company) that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Effective interest method *(Cont'd)*

Available-for-sale financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets including trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Effective interest method *(Cont'd)*

Available-for-sale financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investment stated at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity *(Cont'd)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities including trade and other payables and amount due to an associate are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$, also the functional currency of the Company) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing *(Cont'd)*

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are account for as operating leases, except for those that are classified and accounted for as investment properties under the fair value model.

Retirement benefit costs

Payments to defined contribution retirement benefit plan and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was HK$5,895,113 (2007: HK$5,250,359) and no impairment loss was recognised for both years ended 31 March 2008 and 2007. Details of the recoverable amount calculation are disclosed in Note 17.

Impairment loss on investment in an investee company

The impairment for investment in an investee company has been determined by the directors based on the difference between the carrying amount of investment and the recoverable amount. The recoverable amount represents the Group's expectation of dividends income to be received from the investment by reference to the estimation of the future cash flow discounted at an expected rate of return. Where the actual future cash flows are less than expected, further impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 19.

As at 31 March 2008, the carrying amount of investment in an investee company was HK$32,465,141 (2007: HK$32,725,141) and an impairment loss of HK$260,000 was recognised during year ended 31 March 2008 (for the year ended 31 March 2007: HK$22,480,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to support its business and maximise shareholders value. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group is equity attributable to equity holders of the Company, comprising share capital, other reserves and accumulated lossess.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the corporate finance department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the new share issues and payment of dividends.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008	2007
	HK$	HK$
Financial assets		
Loans and receivables	**142,598,979**	73,602,322
Available-for-sale investments	**35,902,954**	32,725,141
Financial liabilities		
Liabilities measured at amortised cost	**5,446,858**	4,655,372

6. FINANCIAL INSTRUMENTS *(Cont'd)*

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, trade and other payables, amount due to an associate, bank deposits and bank balances. Details of these financial instruments are disclosed in the respective notes. It is, and has been throughout the year, the Group's policy not to enter into trading of derivative financial instruments.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated balance sheet.

In order to minimise the credit risk, management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2007: 100%) of the total trade receivables as at 31 March 2008.

The Group has concentration of credit risk as 83.7% (2007: 94.1%) of the total trade receivables was due from the Group's largest customer within the sales of pharmaceutical and biotech products. The failure of this customer to make required payments could have a substantial negative impact on the Group's results. The Group manages this risk by applying a limit on the credit to this customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

b. Financial risk management objectives and policies *(Cont'd)*

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency rate risk, interest rate risk and equity price risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

Certain bank deposits of the Group are denominated in foreign currency. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets at the balance sheet date are as follows:

	Assets	
	2008	2007
	HK$	HK$
United States Dollar ("US$")	**25,499,075**	36,350,153

Sensitivity analysis

A linked exchange rate system is implemented in Hong Kong to stabilise the exchange rate between the HK$ and the US$. As such, no sensitivity analysis on the change in HK$ against US$ is prepared as in the management's opinion the impact on the profit of the Company is not material.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

b. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank balances which carry at prevailing market interest rates. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to interest rate has increased during the current period mainly due to the increase in variable rate bank deposits and bank balances at the year end.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the bank deposits and bank balances which bear floating interest rates at the balance sheet date. A 50 basis point increase or decrease is used to present the reasonably possible change in interest rates at the year end.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease approximately by HK$695,000 (2007: HK$331,000).

Price risk

The Group undertook certain available-for-sale investment (as disclosed in note 23) in current year. Therefore, exposures to price risk because of changes in market prices arise. The Group has closely monitored the price risk and will consider hedging the risk exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

b. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(ii) Interest rate risk (Cont'd)

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risks for available-for-sale investment (excluding investment in an investee company which is measured at cost less impairment) fluctuating in the market at the balance sheet date. If the price of respective investment had been 5% higher/lower the Group's equity would increase/decrease by approximately HK$172,000 for the year ended 31 March 2008 as a result of the changes in fair value of available-for-sale investment.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

b. Financial risk management objectives and policies *(Cont'd)*

Liquidity risk *(Cont'd)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 March 2008 and 2007. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 3 months	**3 months to 1 year**	**Total undiscounted cash flows**	**Carrying amount**
	HK$	HK$	HK$	HK$
As at 31 March 2008				
Trade and other payables	**4,179,733**	**357,763**	**4,537,496**	**4,537,496**
Amount due to an associate	**–**	**909,362**	**909,362**	**909,362**
	4,179,733	**1,267,125**	**5,446,858**	**5,446,858**
As at 31 March 2007				
Trade and other payables	3,518,094	327,374	3,845,468	3,845,468
Amount due to an associate	–	809,904	809,904	809,904
	3,518,094	1,137,278	4,655,372	4,655,372

c. Fair value

The fair value of financial assets and financial liabilities (excluding available-for-sale investment) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input. For available-for-sale investment other than investment in investee company, the fair value is determined with reference to price quoted by the bank, which is determined by reference to the net assets of the fund.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

7. SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received and receivable and represents the amounts received and receivable for goods sold by the Group, property rental income and dividend income from investments during the year.

(a) Business segments

For management purposes, the Group is currently organised into five (2007: three) operating divisions – sales of pharmaceutical and biotech products, property rental, properties development, investment holding for dividend income and exploration and development of mineral resources. During the year, the Group added two business segments in respect of the properties held for development and exploration and development of mineral resources. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Year ended 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
REVENUE – EXTERNAL	35,445,038	858,672	–	–	–	–	36,303,710
SEGMENT RESULTS	16,811,926	5,050,898	(196,612)	(362,935)	(83,875)	–	21,219,402
Other income	309,288	–	–	–	–	3,965,333	4,274,621
Unallocated corporate expenses						(139,438,819)	(139,438,819)
Share of results of associates	3,092,131	–	–	–	–	767,202	3,859,333
Loss before tax							(110,085,463)
Income tax expense							(2,831,474)
Loss for the year							(112,916,937)

7. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments *(Cont'd)*

BALANCE SHEET
At 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
ASSETS							
Segment assets	37,087,529	23,268,500	118,160,423	37,883,159	–	–	216,399,611
Interests in associates	44,849,039	–	–	–	–	5,164,488	50,013,527
Unallocated corporate assets						141,191,905	141,191,905
Consolidated total assets							407,605,043
LIABILITIES							
Segment liabilities	6,447,883	179,828	10,000	–	–	–	6,637,711
Unallocated corporate liabilities						3,195,118	3,195,118
Consolidated total liabilities							9,832,829

7. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments *(Cont'd)*

OTHER INFORMATION

Year ended 31 March 2008

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Investment holding	Exploration and development of mineral resources	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Capital additions	1,288,561	4,625	118,051,410	355	–	–	119,344,951
Gain arising from change in fair value of an investment property	–	(5,600,000)	–	–	–	–	(5,600,000)
Depreciation of property, plant and equipment	2,845,697	282,509	7,412	17,492	–	4,326	3,157,436
Amortisation of prepaid lease payments	82,457	–	–	–	–	–	82,457
Impairment loss on investment in an investee company	–	–	–	260,000	–	–	260,000
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	–	–	–	–	–	133,073,501	133,073,501
Impairment loss on loan to an investee company	–	–	–	54,390	–	–	54,390
Write-down of inventories	97,186	–	–	–	–	–	97,186

7. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments *(Cont'd)*

Year ended 31 March 2007

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$
REVENUE – EXTERNAL	17,644,534	530,707	1,794,773	–	19,970,014
SEGMENT RESULTS	2,224,402	888,523	(22,073,414)	–	(18,960,489)
Other income	145,284	–	–	2,492,133	2,637,417
Unallocated corporate expenses				(4,491,565)	(4,491,565)
Share of results of associates	(17,148,852)	–	–	952,813	(16,196,039)
Loss before tax					(37,010,676)
Income tax expense					(56,480)
Loss for the year					(37,067,156)

BALANCE SHEET

At 31 March 2007

	Sales of pharmaceutical and biotech products	Property rental	Properties development	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$
ASSETS					
Segment assets	49,214,516	17,809,682	35,737,024	–	102,761,222
Interests in associates	30,491,927	–	–	11,980,737	42,472,664
Unallocated corporate assets				57,116,416	57,116,416
Consolidated total assets					202,350,302
LIABILITIES					
Segment liabilities	6,481,163	182,828	33,000	–	6,696,991
Unallocated corporate liabilities				1,543,378	1,543,378
Consolidated total liabilities					8,240,369

7. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments *(Cont'd)*

OTHER INFORMATION

Year ended 31 March 2007

	Sales of pharmaceutical and biotech products HK$	Property rental HK$	Properties development HK$	Unallocated HK$	Consolidated HK$
Capital additions	4,464,273	958,410	438,265	4,300	5,865,248
Gain arising from change in fair value of an investment property	–	(1,800,000)	–	–	(1,800,000)
Depreciation of property, plant and equipment	2,475,450	293,536	109,254	4,879	2,883,119
Amortisation of intangible assets	59,099	–	–	–	59,099
Amortisation of prepaid lease payments	77,467	–	–	–	77,467
Impairment loss on intangible assets	1,426,224	–	–	–	1,426,224
Impairment loss on investment in an investee company	–	–	22,480,000	–	22,480,000
Impairment loss on loan to an investee company	–	–	717,255	–	717,255
Loss on write off of property, plant and equipment	32,278	–	–	2,862	35,140
Write-down of inventories	104,497	–	–	–	104,497

(b) Geographical segments

The Group's activities of property holding for rental income and investment holding for dividend income are located in Hong Kong while sales of pharmaceutical and biotech products, properties development and exploration and development of mineral resources are located in the PRC. The Group's revenue, segment results, segment assets and capital additions of each operating division are derived from the respective geographical areas.

8. OTHER INCOME AND GAINS

	2008	2007
	HK$	HK$
Interest income from bank deposits	**2,575,438**	2,428,094
Fair value gains on held-for-trading equity	**1,312,725**	–
Government grants released to income	**309,288**	145,284
Others	**77,170**	64,039
	4,274,621	2,637,417

9. INCOME TAX EXPENSE

	2008	2007
	HK$	HK$
The income tax expense comprises:		
Current tax – PRC enterprise income tax	**2,831,474**	56,480

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both years.

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng"), a subsidiary of the Group, is established in the Kunming economic open zone with applicable tax rate of 15% and is exempted from the PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. It is the third year of Meng Sheng subject to 50% tax relief for calendar year ended 31 December 2007.

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the "New Law") by Order No. 63 of the President of the PRC. Under the New Law, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the applicable tax rate for Meng Sheng from the existing preferential rate to 18%, 20%, 22%, 24% and 25% for the calendar years ending 31 December 2008, 2009, 2010, 2011 and 2012, respectively, from 1 January 2008.

Another PRC subsidiary of the Group is still under pre-operation stage and there is no tax concession granted by the local tax authority.

9. INCOME TAX EXPENSE *(Cont'd)*

Details of deferred taxation are set out in note 29.

The consolidated income tax expense for the both years can be reconciled to the loss before tax per the consolidated income statement as follows:

	2008	2007
	HK$	HK$
Loss before tax	**(110,085,463)**	(37,010,676)
Tax at domestic rates applicable to profits in the jurisdictions concerned	**(18,987,394)**	(6,534,649)
Tax effect of share of results of associates	**(675,383)**	2,834,307
Tax effect of expenses not deductible for tax purpose	**23,349,620**	4,094,500
Tax effect of income not taxable for tax purpose	**(342,836)**	(664,136)
Tax effect of tax losses not recognised	**1,726,625**	1,724,305
Utilisation of tax losses previously not recognised	**(111,141)**	(55,396)
Utilisation of deferred tax assets previously not recognised	**(999,483)**	(427,711)
Effect of temporary difference not recognised	**(66,752)**	–
Tax concession and exemption of a PRC subsidiary	**(1,059,723)**	(914,740)
Others	**(2,059)**	–
Income tax expense for the year	**2,831,474**	56,480

10. LOSS FOR THE YEAR

	2008	2007
	HK$	HK$
Loss for the year has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	**4,538,143**	3,877,422
Retirement benefits scheme contributions	**140,752**	146,000
Total staff costs	**4,678,895**	4,023,422
Amortisation of intangible assets (included in cost of sales)	**–**	59,099
Amortisation of prepaid lease payments	**82,457**	77,467
Auditors' remuneration	**778,872**	620,458
Cost of inventories recognised as expense	**9,972,040**	6,789,973
Depreciation of property, plant and equipment	**3,157,436**	2,883,119
Impairment loss on intangible assets (included in cost of sales)	**–**	1,426,224
Impairment loss on loan to an investee company (included in administrative expenses)	**54,390**	717,255
Loss on write off of property, plant and equipment	**–**	35,140
Research and development costs	**710,366**	1,057,261
Less: Government grants released	**(53,261)**	(491,997)
Net research and development costs (included in administrative expenses)	**657,105**	565,264
Write-down of inventories (included in cost of sales)	**97,186**	104,497
Expenses arising from issue of new shares (note 35(d))	**1,377,485**	–
and after crediting:		
Dividend income from investment in an investee company	**–**	1,794,773
Gross rental income from an investment property less direct operating expenses from investment property that generated rental income during the year	**858,672**	530,707
Net foreign exchange gain	**40,701**	63,059

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors on a name basis are as follows:

For the year ended 31 March 2008

		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$	**HK$**	**HK$**	**HK$**
Li Suiming*	**60,000**	**–**	**–**	**60,000**
Ma Pizhi*	**60,000**	**426,048**	**–**	**486,048**
Fang Wen Quan*	**60,000**	**–**	**–**	**60,000**
Li Guanglin*	**60,000**	**–**	**–**	**60,000**
Liu Huijiang*	**60,000**	**–**	**–**	**60,000**
Ho Wing Fun	**60,000**	**–**	**–**	**60,000**
Lam Yat Fai	**60,000**	**–**	**–**	**60,000**
Wu Wen Jing, Benjamin	**60,000**	**–**	**–**	**60,000**
	480,000	**426,048**	**–**	**906,048**

For the year ended 31 March 2007

		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$	HK$	HK$	HK$
Li Suiming*	60,000	–	–	60,000
Ma Pizhi*	60,000	426,630	–	486,630
Fang Wen Quan*	60,000	–	–	60,000
Li Guanglin*	60,000	–	–	60,000
Liu Huijiang*	60,000	–	–	60,000
Ho Wing Fun	60,000	–	–	60,000
Lam Yat Fai	60,000	–	–	60,000
Wu Wen Jing, Benjamin	60,000	–	–	60,000
	480,000	426,630	–	906,630

* Executive directors

No directors waived any emoluments in the years ended 31 March 2008 and 2007.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2007: one) was a director of the Company whose emolument is included in the disclosures in note (a) above. The emoluments of the remaining four (2007: four) individuals were as follows:

	2008	2007
	HK$	HK$
Salaries and other benefits	**1,214,084**	1,327,982
Contributions to retirement benefits scheme	**35,800**	57,940
	1,249,884	1,385,922

The aggregate emoluments of each of the highest paid four (2007: four) individuals during both years presented are not more than HK$1,000,000.

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

12. BASIC LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	HK$	HK$
Loss		
Loss for the purpose of basic loss per share	**(121,350,292)**	(39,811,376)
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**624,170,425**	506,853,952

No diluted loss per share is presented as the Company did not have any potentially dilutive shares in issue during both years.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2008, nor has any dividend been proposed since the balance sheet date (for the year ended 31 March 2007: Nil).

14. INVESTMENT PROPERTY

	HK$
FAIR VALUE	
At 1 April 2006	15,600,000
Increase in fair value recognised in the consolidated income statement	1,800,000
At 31 March 2007	17,400,000
Increase in fair value recognised in the consolidated income statement	5,600,000
At 31 March 2008	**23,000,000**

The investment property of the Group is property interests held under long-term operating lease in Hong Kong for the purposes of earning rentals and is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property at 31 March 2008 and 2007 has been arrived at on the basis of a valuation carried out on respective dates by Vigers Appraisal and Consulting Limited and LCH (Asia-Pacific) Surveyors Limited respectively, independent qualified professional valuers not connected with the Group. The valuation, which conforms to The Valuation Standards on Properties of Hong Kong Institute of Surveyors, was arrived at using the direct comparison method by reference to actual sales or offering prices of comparable properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
COST							
At 1 April 2006	14,534,068	7,531,106	1,463,680	1,705,869	2,360,765	198,051	27,793,539
Exchange realignment	761,740	245,776	–	99,389	62,814	–	1,169,719
Additions	–	1,164,802	2,480,456	1,875,500	–	344,490	5,865,248
Written off	–	–	(1,119,580)	(70,929)	(1,265,029)	–	(2,455,538)
Transfer	–	542,541	–	–	–	(542,541)	–
At 31 March 2007	15,295,808	9,484,225	2,824,556	3,609,829	1,158,550	–	32,372,968
Exchange realignment	1,495,719	839,593	–	231,851	155,347	–	2,722,510
Additions	202,754	513,863	–	20,679	556,394	–	1,293,690
At 31 March 2008	**16,994,281**	**10,837,681**	**2,824,556**	**3,862,359**	**1,870,291**	**–**	**36,389,168**
ACCUMULATED DEPRECIATION							
At 1 April 2006	1,569,553	1,395,273	1,236,031	1,144,700	1,549,513	–	6,895,070
Exchange realignment	17,647	186,341	–	32,277	23,494	–	259,759
Provided for the year	915,015	784,565	829,026	243,540	110,973	–	2,883,119
Eliminated on write off	–	–	(1,119,363)	(36,006)	(1,265,029)	–	(2,420,398)
At 31 March 2007	2,502,215	2,366,179	945,694	1,384,511	418,951	–	7,617,550
Exchange realignment	308,312	310,850	–	46,050	57,995	–	723,207
Provided for the year	985,750	900,302	856,069	297,193	118,122	–	3,157,436
At 31 March 2008	**3,796,277**	**3,577,331**	**1,801,763**	**1,727,754**	**595,068**	**–**	**11,498,193**
CARRYING VALUES							
At 31 March 2008	**13,198,004**	**7,260,350**	**1,022,793**	**2,134,605**	**1,275,223**	**–**	**24,890,975**
At 31 March 2007	12,793,593	7,118,046	1,878,862	2,225,318	739,599	–	24,755,418

The buildings, which are situated on leasehold interest on land held under medium-term leases are located in the PRC.

16. PREPAID LEASE PAYMENTS

	2008	2007
	HK$	HK$
Prepaid lease payments for medium-term leasehold land in the PRC:		
Included in current assets	**87,283**	79,570
Included in non-current assets	**3,897,403**	3,640,439
	3,984,686	3,720,009

17. GOODWILL

	HK$
COST	
At 1 April 2006	5,107,576
Exchange realignment	142,783
At 31 March 2007	5,250,359
Exchange realignment	644,754
At 31 March 2008	**5,895,113**

For the purposes of impairment testing, the goodwill has been allocated to an individual cash generating unit (the "CGU") in the sales of pharmaceutical and biotech products segment. During the year ended 31 March 2008 and 2007, management of the Group determines that there are no impairment of the CGU containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of approximately 15.89% (for the year ended 31 March 2007: 9.5%). Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

18. INTERESTS IN ASSOCIATES

	2008	2007
	HK$	HK$
Cost of unlisted investment in associates	**52,246,744**	52,246,744
Share of post-acquisition loss, net of dividends received	**(10,122,851)**	(13,320,361)
Exchange realignment	**7,889,634**	3,546,281
	50,013,527	42,472,664

As at 31 March 2008 and 2007, the Group had interests in the following associates:

Name of associate	**Form of business structure**	**Place of establishment and operation**	**Attributable interest in registered capital held by the Group**	**Principal activities**
			%	
深圳新鵬生物工程有限公司	Incorporated	PRC	48	Research, development, manufacture and sale of biotechnology products
雲南華寧興寧彩印有限公司	Incorporated	PRC	25	Printing and sale of cigarette packaging packs and boxes

The carrying amount of the investment in associates includes goodwill amounting to HK$1,982,322 (2007: HK$1,807,131) arising on the acquisitions of associates in prior years.
The amount of goodwill is set out below:

	HK$
COST	
At 1 April 2006	1,717,501
Exchange realignment	89,630
At 31 March 2007	1,807,131
Exchange realignment	175,191
At 31 March 2008	**1,982,322**

18. INTERESTS IN ASSOCIATES *(Cont'd)*

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

Results for the year ended 31 March

	深圳新鵬生物工程有限公司		雲南華寧興寧彩印有限公司		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Turnover	**22,097,356**	19,469,823	**20,484,643**	20,830,376	**42,581,999**	40,300,199
Depreciation	**2,357,209**	2,695,771	**769,582**	718,836	**3,126,791**	3,414,607
Profit (loss) for the year	**6,441,939**	(35,726,776)	**3,068,810**	3,811,250	**9,510,749**	(31,915,526)
Profit (loss) for the year attributable to the Group	**3,092,131**	(17,148,852)	**767,202**	952,813	**3,859,333**	(16,196,039)

Financial position as at 31 March

	深圳新鵬生物工程有限公司		雲南華寧興寧彩印有限公司		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Non-current assets	**48,073,297**	49,424,299	**23,048,184**	21,684,946	**71,121,481**	71,109,245
Current assets	**38,177,995**	25,789,001	**26,558,096**	24,499,879	**64,736,091**	50,288,880
Current liabilities	**(9,749,112)**	(7,794,484)	**(4,365,648)**	(5,490,403)	**(14,114,760)**	(13,284,887)
Non-current liabilities (note i)	**–**	(818,440)	**–**	–	**–**	(818,440)
Net assets	**76,502,180**	66,600,376	**45,240,632**	40,694,422	**121,742,812**	107,294,798
Minority interests (note ii)	**–**	(3,075,529)	**–**	–	**–**	(3,075,529)
Net assets attributable to the Group	**36,721,046**	30,491,927	**11,310,159**	10,173,606	**48,031,205**	40,665,533

Notes:

(i) Non-current liabilities represented subsidy received from local government for expenditure on research and development of new products in prior years. The government grant was released entirely to the consolidated income statement during the year ended 31 March 2008.

(ii) 深圳新鵬生物工程有限公司disposed of its entire interest in a subsidiary during the year ended 31 March 2008.

19. INVESTMENT IN AN INVESTEE COMPANY

The investment in an investee company at 31 March 2008 is accounted for as an available-for-sale investment which represents the Group's 18.75% (2007: 18.75%) equity interest in the registered capital of 玉溪環球彩印紙盒有限公司 (Yuxi Globe Colour Printing Carton Co., Ltd.) ("Yuxi Globe"), an unlisted company registered in the PRC being engaged in the business of printing and sale of cigarette packaging packs and boxes. This investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

During the year ended 31 March 2008, management of the Group performed a review of the recoverable amount of the investment in Yuxi Globe and an impairment loss of HK$260,000 was recognised in the consolidated income statement (year ended 31 March 2007: an impairment loss of HK$22,480,000 recognised in the consolidated income statement).

The recoverable amount of the investment in Yuxi Globe has been determined based on expected dividend income covering a six-year period which is the estimated project life of the investment and expected net assets value sharing upon dissolution at end of the sixth year, using a discount rate of 6.5% (2007: 7.35%).

20. INVENTORIES

	2008	2007
	HK$	HK$
Raw materials	**1,308,685**	1,009,207
Work in progress	**236,098**	294,275
Finished goods	**1,189,071**	439,203
	2,733,854	1,742,685

21. PROPERTIES HELD FOR DEVELOPMENT

	2008	2007
	HK$	HK$
Properties held for development	**118,051,261**	–

The amount represented leasehold land located in the PRC for development of residential properties for future sale. The Group was in the process of site structure design and no construction was commenced as at 31 March 2008.

At 31 March 2008, the management reviewed the carrying amount of the properties with reference to current market situation and the estimated selling price of the properties provided by Vigers Appraisal and Consulting Limited. No write-down on the carrying amount of the properties is required.

22. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$	HK$
Trade receivables	**1,754,546**	3,334,480
Dividends receivable	**–**	2,501,472
Other receivables	**2,443,651**	1,821,627
Total trade and other receivables	**4,198,197**	7,657,579

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	HK$	HK$
0 – 60 days	**1,682,631**	3,309,135
Over 60 days	**71,915**	25,345
	1,754,546	3,334,480

22. TRADE AND OTHER RECEIVABLES *(Cont'd)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. All of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

The Group does not hold any collateral over these balances. The average age of these receivables is as follow.

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$	HK$
Over 60 days	**71,915**	25,345

The Group reviews collectability of each accounts and no allowance being made on the past due balances because all these receivables were received after the balance sheet date.

23. AVAILABLE-FOR-SALE INVESTMENT

	2008	2007
	HK$	HK$
Investment fund	**3,437,813**	–

The fair value of the above investments is determined based on the price quoted by a bank, the fund issuer. The fund engages in providing loans to an unlisted state-owned enterprise in the PRC.

24. BANK DEPOSITS, BANK BALANCES AND CASH

The bank deposits, comprise short-term fixed deposits, carry a market interest rate ranging from 1.39% to 4.14% (2007: 1% to 5.2%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.72% (2007: 0.01% to 0.72%) per annum.

Included in the carrying amount of the bank deposits are HK$25,499,075 which is denominated in US$ (2007: HK$36,350,153), foreign currency of the group entities.

25. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade and other payables at the balance sheet date:

	2008	2007
	HK$	HK$
Trade payables		
Within 60 days	**554,786**	786,362
61 – 90 days	**543,838**	250,466
Over 90 days	**357,763**	249,600
	1,456,387	1,286,428
Other payables and accruals	**3,557,015**	2,896,872
	5,013,402	4,183,300

26. GOVERNMENT GRANTS

	Note a HK$	Note b HK$	**Total** HK$
At 1 April 2006	1,538,462	576,923	2,115,385
Additions	1,329,722	–	1,329,722
Charged to consolidated income statement/release to deduct research and development costs	(145,284)	(491,997)	(637,281)
Exchange realignment	112,437	16,754	129,191
At 31 March 2007	2,835,337	101,680	2,937,017
Charged to consolidated income statement/release to deduct research and development costs	(309,288)	(53,261)	(362,549)
Exchange realignment	256,769	6,737	263,506
At 31 March 2008	**2,782,818**	**55,156**	**2,837,974**

Analysed for reporting purposes as:

	2008 **HK$**	2007 HK$
Current liabilities*	**333,439**	400,135
Non-current liabilities	**2,504,535**	2,536,882
	2,837,974	2,937,017

* The carrying amount of the government grants which is expected be released to the consolidated income statement within one year from the balance sheet date is shown as current.

Note:

a. Grants were designated for the cost of acquisition of certain plant and equipment for the production of a pharmaceutical and biotech product and were deferred and are released to income on a straight-line basis over the expected useful lives of the related assets.

b. The grant was given to the Group as a subsidy for expenditure on research and development of pharmaceutical products. No specific conditions are to comply with and other contingencies were attached to such grant, and management of the Group intends to apply the government grants to the research and development of a new pharmaceutical product and deducted against the costs incurred for that product in the same period.

27. DEPOSIT RECEIVED

The amount at 31 March 2007 represented deposit received from a customer and was released during the year ended 31 March 2008.

28. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	**2008**	2007
			HK$	HK$
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning of the year	**1,000,000,000**	1,000,000,000	**100,000,000**	100,000,000
Increased on 10 December 2007 (Note)	**1,000,000,000**	–	**100,000,000**	–
At end of the year	**2,000,000,000**	1,000,000,000	**200,000,000**	100,000,000
Issued and fully paid:				
At beginning of the year	**506,853,952**	506,853,952	**50,685,395**	50,685,395
Issue of new shares on 21 December 2007 (Note 35(d))	**428,205,128**	–	**42,820,513**	–
At end of the year	**935,059,080**	506,853,952	**93,505,908**	50,685,395

Note: On 10 December 2007, a resolution was passed by the shareholders of the Company pursuant to which the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 to be divided into 2,000,000,000 ordinary shares of HK$0.1 each by the creation of additional 1,000,000,000 unissued shares of the Company and rank pari passu in all respects with the shares then in issue.

29. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Total
	HK$	HK$	HK$
At 1 April 2006	20,514	(20,514)	–
Charge (credit) to consolidated income statement	5,377	(5,377)	–
At 31 March 2007 and 1 April 2007	25,891	(25,891)	–
Charge (credit) to consolidated income statement	(14,670)	14,670	–
At 31 March 2008	**11,221**	**(11,221)**	**–**

At the balance sheet date, the Group had unused tax losses of approximately HK$114,600,000 (2007: HK$106,425,000) available to offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$65,000 (2007: HK$148,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$114,535,000 (2007: HK$106,277,000) due to the unpredictability of future profit streams. All these losses may be carried forward indefinitely.

At the balance sheet date, the Group has other deductible temporary differences of HK$101,000 (2007: HK$1,420,000). No deferred tax asset has been recognised in relation to such deductible temporary differences, as it is not probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of a PRC subsidiary for which deferred tax liabilities have not been recognised was approximately HK$1,432,000 (2007: Nil). No provision for deferred tax liability has been made in the financial statements as the amount involved is insignificant.

30. INTANGIBLE ASSETS

	HK$
COST	
At 1 April 2006	1,677,884
Exchange realignment	87,563
At 31 March 2007 and 2008	**1,765,447**
AMORTISATION AND IMPAIRMENT	
At 1 April 2006	264,706
Exchange realignment	15,418
Provided for the year	59,099
Impairment loss recognised in the consolidated income statement	1,426,224
At 31 March 2007 and 2008	**1,765,447**
CARRYING VALUES	
At 31 March 2008 and 2007	**–**

During the year ended 31 March 2007, management of the Group performed a review of the recoverable amounts of the production rights and determined that the carrying values were fully impaired as manufacture of relevant pharmaceutical products ceased during that year in view of market situation. No future cash flows are expected to be derived from the production rights.

31. RETIREMENT BENEFITS SCHEME

The Group's Hong Kong subsidiaries operate two defined contribution schemes which are registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after year 2000 are required to join the MPF Scheme.

31. RETIREMENT BENEFITS SCHEME *(Cont'd)*

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary and subject to a maximum of HK$1,000 per month.

For members of the MPF Scheme, the Group contributes certain percentage of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee.

Where there are employees who leave the above schemes prior to the contributions vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. There is no forfeited contribution for both years.

The total cost charged to the consolidated income statement of HK$41,098 (2007: HK$68,871) represents contributions paid to the above schemes by the Group in respect of the current year.

The employees of Yunnan Tianda Mining Limited（雲南天大礦業有限公司）(formerly known as Yunnan Yunyu Economic & Technology Consulting Co., Limited（雲南雲玉經濟技術咨詢有限公司）are members of state-managed retirement benefit schemes operated by the PRC government. This subsidiary is required to contribute 20% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The employees of Yunnan Meng Sheng Pharmaceutical Co., Limited（雲南盟生藥業有限公司）are members of state-managed retirement benefit schemes operated by the PRC government. This subsidiary is required to contribute 20% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. For the year ended 31 March 2008, the total cost charged to the consolidated income statement of HK$99,654 (2007: HK$77,129) represents contributions paid to the state-managed retirement benefit schemes by the Group in respect of the current year.

32. MAJOR NON-CASH TRANSACTION

During the year, the Group, through the acquisition of Tianda Properties Limited, acquired assets (including land and bank balances and cash) by the issue of new shares. Details of this transaction are set out in the note 35(d).

33. CAPITAL COMMITMENTS

	2008 HK$	2007 HK$
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**100,000**	–

34. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases in respect of office premises during the year amounted to HK$3,048,764 (2007: HK$3,048,764).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 HK$	2007 HK$
Within one year	**2,466,000**	3,230,000
In the second to fifth year inclusive	**–**	2,467,000
	2,466,000	5,697,000

Operating leases are negotiated for an average term of 3 years and rentals are fixed over the relevant lease term.

34. OPERATING LEASE COMMITMENTS *(Cont'd)*

The Group as lessor

Property rental income earned during the year was HK$858,672 (2007: HK$530,707). The property is expected to generate rental yields of 3.7% (2007: 3.1%) on an ongoing basis. The premise held has committed tenant for the next 23 months.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$	HK$
Within one year	**859,000**	859,000
In the second to fifth year inclusive	**787,000**	1,646,000
	1,646,000	2,505,000

35. RELATED PARTY TRANSACTIONS

(a) Details of balances of the Group with related parties are set out in the consolidated balance sheet on page 25. The balance of loan to former ultimate holding company is unsecured, non-interest bearing and repayable within one year from the balance sheet date and it was fully repaid during the year ended 31 March 2008. The balance of loan to an investee company is unsecured, non-interest bearing and repayable on demand.

(b) Transactions with related party

	2008	2007
	HK$	HK$
(Repayment from) advanced to former ultimate holding company	**(350,000)**	350,000

35. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year are as follows:

	2008 HK$	2007 HK$
Short-term benefits	**1,249,025**	1,206,565
Post-employment benefits	**15,000**	31,200
	1,264,025	1,237,765

The remunerations of key management, including one director, were determined by reference to the performance of individuals and market trends.

(d) On 25 October 2007, the Company entered into an acquisition agreement with Tianda Group Limited to acquire the entire issued share capital of Tianda Properties Limited (a wholly owned subsidiary of Tianda Group Limited) and the shareholder's loan at an initial consideration of HK$167 million, representing the fair value of two parcels of land at 31 August 2007 and the aggregated cash and bank balance at the completion date. The consideration is satisfied by the Company issuing 428,205,128 ordinary shares with a nominal value of HK$0.10 each ("Consideration Shares") at the issue price of HK$0.39 per share (the "Issue Price"). The Issue Price represented a discount of approximately 61% to the closing published price of approximately HK$1.00 of the Company as quoted on the Stock Exchange on 25 October 2007. Tianda Group Limited is wholly owned by Mr. Fang Wen Quan, a director of the Company who was also beneficially interested in approximately 9.35% of the issued share capital of the Company, on 25 October 2007. Details of the above are included in a circular of the Company dated 23 November 2007.

35. RELATED PARTY TRANSACTIONS *(Cont'd)*

(d) *(Cont'd)*

The assets of Tianda Properties Limited included land use rights with fair value of HK$116,679,925 and bank balance and cash of HK$67,118,368 as at 21 December 2007, the completion date of acquisition (the "Completion Date"), and Tianda Properties Limited has not yet commenced business. The transaction is therefore accounted for as assets acquisition. As a result, the Company recognised the assets received at their aggregated fair value of HK$183,798,293 and the Consideration Shares issued at HK$316,871,794, equivalent to HK$0.74 per share (being the closing price of the Company's share as quoted on the Stock Exchange at the Completion Date). The difference between the fair values of the identifiable assets (the land use rights and bank balance and cash) received and the Consideration Shares issued amounting to HK$133,073,501, representing other unidentifiable goods or services received by the Company, has been charged to the consolidated income statement.

36. POST BALANCE SHEET EVENTS

On 13 May 2008, the Company entered into agreements with its ultimate holding company to dispose of each of its 49% interest in two wholly owned subsidiaries (Tianda Mining (Gansu) Limited ("Tianda Gansu") and Tianda Mining (Yunnan) Limited ("Tianda Yunnan")) for a consideration of HK$3,826,000 and HK$49 respectively. After the disposal, both subsidiaries became non-wholly owned subsidiaries of the Company.

Upon completion of the disposals, the Group and the ultimate holding company will jointly develop nonferrous metal resources business in the five northwest provinces/regions of the PRC and invest in the exploration and development of mineral resources in the Yunnan Province of the PRC through Tianda Gansu and Tianda Yunnan, respectively.

Details of the above are included in an announcement of the Company dated 13 May 2008.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 March 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2008	2007	**2008**	2007	
			%	%	**%**	%	
Heroway Limited	British Virgin Islands/PRC	US$1	**100**	100	**–**	–	Investment holding
Yunnan Meng Sheng Pharmaceutical Co., Limited*	PRC	RMB36,000,000	**–**	–	**55**	55	Research, development, manufacture and sale of pharmaceutical and biotech products
Yunnan Nominees Limited	Hong Kong	HK$2	**100**	100	**–**	–	Investment holding
Yunyu Bio-Pharmaceutical Company Limited	British Virgin Islands/PRC	US$1	**–**	–	**100**	100	Investment holding
Yunyu Holdings Limited	Hong Kong	HK$2	**100**	100	**–**	–	Investment holding
Tianda Properties Limited	Hong Kong	HK$1	**100**	–	**–**	–	Investment holding
Yunnan Tianda Mining Limited (formerly known as Yunnan Yunyu Economic & Technology Consulting Co., Limited)	PRC	US$1,192,000 (2007: US$100,000)	**100**	100	**–**	–	Exploration and development of mineral resources (2007: Investment holding)
Yunyu Trading Development Limited	Hong Kong	HK$5,000,000	**100**	100	**–**	–	Investment holding and property holding
Zhuhai Tianheng Real Estate	PRC	RMB35,019,187	**–**	–	**100**	–	Properties development

* Company incorporated as cooperative joint venture enterprise.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only those subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had issued any debt securities at the balance sheet date or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000 (restated)	2007 HK$'000	**2008** **HK$'000**
Turnover	5,766	10,113	15,208	19,970	**36,304**
(Loss) profit from operations	(4,910)	(346)	4,730	1,665	**19,389**
Impairment loss on investment in an investee company	–	–	–	(22,480)	**(260)**
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	–	–	–	–	**(133,073)**
Finance costs	–	(43)	–	–	**–**
Share of results of associates	(485)	441	1,805	(16,196)	**3,859**
Amortisation of goodwill arising on acquisition of an associate	(76)	(90)	–	–	**–**
(Loss) profit before taxation	(5,471)	(38)	6,535	(37,011)	**(110,085)**
Income tax expense	(191)	(45)	(52)	(56)	**(2,831)**
(Loss) profit for the year	(5,662)	(83)	6,483	(37,067)	**(112,916)**
(Loss) profit attributable to:					
Equity holders of the Company	(5,739)	(627)	4,355	(39,811)	**(121,350)**
Minority interests	77	544	2,128	2,744	**8,434**
	(5,662)	(83)	6,483	(37,067)	**(112,916)**

ASSETS AND LIABILITIES

	At 31 March				
	2004 HK$'000	2005 HK$'000	2006 HK$'000 (restated)	2007 HK$'000	**2008** **HK$'000**
Non-current assets	153,935	151,345	159,354	126,244	**140,162**
Net current assets	61,947	64,461	68,628	70,403	**260,115**
Non-current liability	–	–	(1,904)	(2,537)	**(2,505)**
	215,882	215,806	226,078	194,110	**397,772**
Shareholders' funds	203,653	203,027	212,352	176,855	**379,929**
Minority interests	12,229	12,779	13,726	17,255	**17,843**
	215,882	215,806	226,078	194,110	**397,772**

PARTICULARS OF MAJOR PROPERTY

A. INVESTMENT PROPERTY

Location	Lease term	Type
3rd Floor, Alliance Building Nos. 130-136 Connaught Road Central Hong Kong	Long-term lease	Commercial

B. PROPERTY FOR DEVELOPMENT

Location	Lot number	Group's interest	Approx. Site Area (sq.m.)	Existing Land use	Stage of Completion	Estimated Date of Completion
Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai, PRC	C0404009 and C0404007	100%	25,137.99	Residential	Planning	–