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

Annual Report 2009

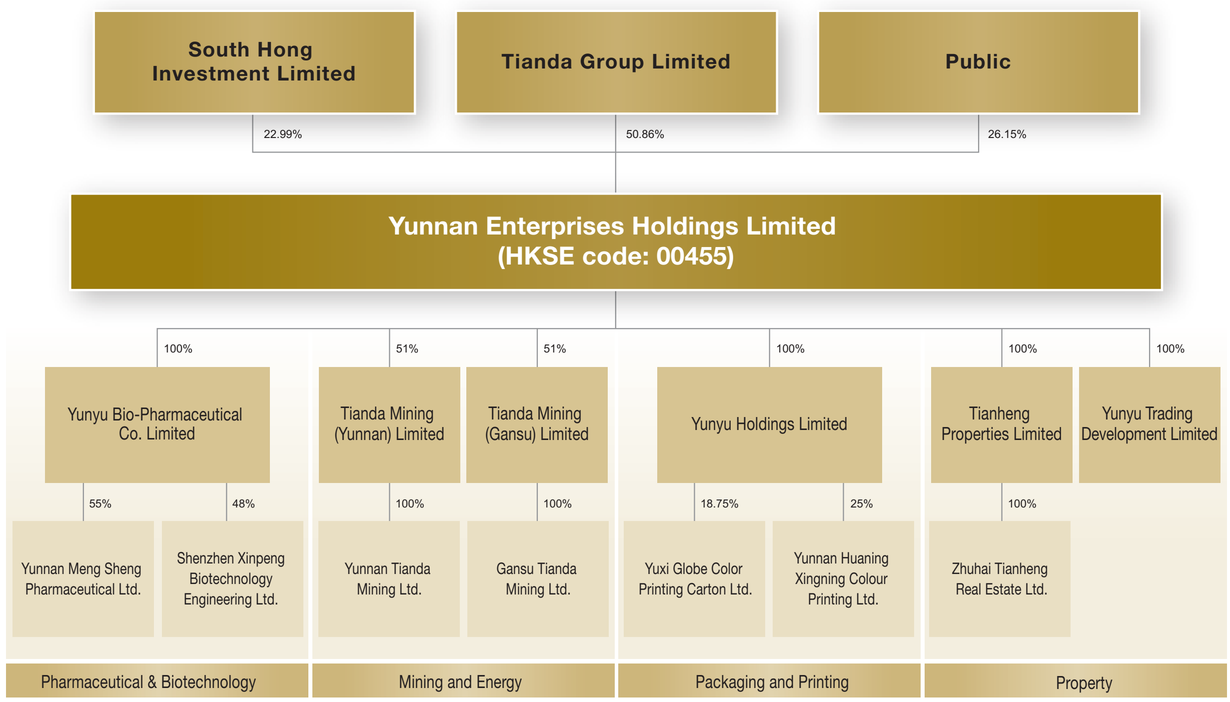
CONTENTS

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 research, development, production and sales of pharmaceutical and biotechnology products; exploration, development and investment of mining and energy; packaging and printing; property holding and development as well as investment holding.

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 ("South Hong"), altogether holding a total of 51.65%. Tianda Group's headquarter is located in Hong Kong and it has set up regional headquarters in Sydney, Australia and Shenzhen, the PRC. Its businesses span across more than 10 countries and regions. On one hand, Tianda Group focuses on the health industry and in particular the development of pharmaceuticals, healthcare and biotechnology. On the other hand, Tianda Group is also dedicated to investment and development of mineral and energy resources. Other businesses of Tianda Group include international trade, property holding and development, and printing and packaging.

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. The controlling shareholder of South Hong is Hongta Tobacco (Group) Limited, which is a state-owned enterprise in Yunnan, the PRC, and also the largest tobacco enterprise in the PRC.

SHAREHOLDING STRUCTURE CHART



Remark: The above chart reflects the shareholding structure as at 31 March 2009.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Suiming *(Chairman)*
Mr. Fang Wen Quan *(Managing Director)*
Mr. Liu Huijiang

Independent Non-Executive Directors

Mr. Chiu Sung Hong
Mr. Chiu Fan Wa
Mr. Lam Yat Fai

AUDITOR

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

COMPANY SECRETARY

Mr. Lo Tai On

FINANCIAL ADVISER

Tai Fook Capital Limited

AUDIT COMMITTEE

Mr. Chiu Sung Hong *(Chairman)*
Mr. Chiu Fan Wa
Mr. Lam Yat Fai

REMUNERATION COMMITTEE

Mr. Fang Wen Quan *(Chairman)*
Mr. Chiu Sung Hong
Mr. Chiu Fan Wa
Mr. Lam Yat Fai

PRINCIPAL BANKERS

Bank of Communications
Merrill Lynch International Bank Limited
(Merchant Bank)
The Hongkong and Shanghai Banking
Corporation 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 REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
(Hong Kong stock code: 00455)

CORPORATE WEBSITE

www.yunnan.com.hk

EXECUTIVE DIRECTORS

Mr. Li Suiming, aged 51, was appointed as an executive director of the Company in 2004. He is the Chairman of the Company. Mr. Li is 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 appointed as the Vice President of Hongta Group in 1997. From 2003 to 2006, Mr. Li was also the Chairman of Yunnan Hongta Group Company Limited (formerly known as Yunnan Hongta Investment Company Limited). In 2006, he was promoted to the position of President of Hongta Group.

Mr. Fang Wen Quan, aged 40, was appointed as an executive director of the Company in 2003. He is the Managing Director and the Chairman of the remuneration committee of the Company. He is also the Chairman and General Manager of Tianda Group Limited (the controlling shareholder of the Company), Tianda Pharmaceuticals Limited and Tianda Resources Limited. Since 2007, Mr. Fang has been appointed by the government of New South Wales, Australia as a member of NSW-Asia Business Council.

Mr. Liu Huijiang, aged 53, was appointed as an executive director of the Company in 2006. He is 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 Company Limited (formerly known as Yunnan Hongta Investment Company Limited) as from January 1994. Mr. Liu is also the director of SDIC Yunnan Dachaoshan Hydropower Company Limited, Yunnan Huaneng Lancang River Hydropower Company Limited, Hongta Financial Investment Company Limited, Yunnan Baiyao Group Company Limited and Kunming Pharmaceutical Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sung Hong, aged 62, was appointed as an independent non-executive director, a member of the remuneration committee, the chairman and a member of the audit committee of the Company with effect from 10 April 2008. He 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 Australian Chinese Community Association of New South Wales. Mr. CHIU is an Independent Non-executive Director of the CNOOC Limited.

Mr. Lam Yat Fai, aged 43, was appointed as an independent non-executive director, a member of the remuneration committee and a member of audit committee of the Company in 2004. He 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 19 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. Chiu Fan Wa, aged 44, was appointed as an independent non-executive director, a member of the remuneration committee and a member of audit committee of the Company on 31 March, 2009. Mr. Chiu is a founder and the managing director of Chiu, Choy & Chung C.P.A. Limited, a local audit firm and a partner of F. S. Li & Co, a local audit firm. He graduated from City University of Hong Kong and obtained a Bachelor of Arts (Honours) degree with major in accountancy in 1992 and was awarded a Master of Professional Accounting from The Hong Kong Polytechnic University in 2002. He is a Certified Public Accountant (Practising) in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a member of The Society of Chinese Accountants & Auditors, the Associate Member of the Institute of the Chartered Accountants in England and Wales, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom. Mr. Chiu is also an Independent Non-Executive Director of Kenford Group Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited.

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group recorded a total turnover of approximately HK$56.94 million, representing an increase of 57% as compared to approximately HK$36.30 million in the previous year. The increase in turnover mainly reflected the significant increase in sales of pharmaceutical and biotechnology business during the year under review.

Based on a valuation carried out by a qualified professional valuer, the fair value of the Group's investment property as at 31 March 2009 decreased to HK$20.80 million, resulting in a loss of HK$2.20 million from the change in fair value of investment property (2008: a gain of HK$5.60 million).

Gains of associated companies attributed to the Group during the year under review amounted to approximately HK$0.92 million, less than the amount of the same period of last year (2008: approximately HK$3.86 million).

Taking into account the income tax expense and minority interests, the Group recorded a profit attributable to shareholders of the Company of approximately HK$2.75 million for the financial year ended 31 March 2009 (2008: a loss of approximately HK$121.35 million). Earnings per share for the year under review was HK0.29 cent (2008: loss per share of HK19.44 cents).

If major non-cash items like the one-time loss arising from the difference in fair value as a result of issuing new shares as the consideration for the land acquisition and the change in fair value of an investment property last year are excluded, on a like-to-like comparison basis, profit for the year under review of approximately HK$15.89 million is moderately better than the results of 2008 (2008: profit of approximately HK$14.56 million).

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2009.

BUSINESS REVIEW

Pharmaceutical and Biotechnology Business

The Group's pharmaceutical and biotechnology business is operated by its non-wholly owned subsidiary, Yunnan Meng Sheng Pharmaceutical Co. Ltd. ("Meng Sheng Pharmaceutical"), which is located in Kunming, Yunnan Province and its associated company, Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology"), a company of which 48% equity interests is held by the Group.

During the period under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK$50.42 million, representing a year-on-year increase of 42%, and accounted for 89% of the Group's total turnover. Its flagship product, "Cerebroprotein Hydrolysate for Injection", is well received by market and sales orders of which have sustained its growth. The increase in turnover, coupled with our effective cost control measures, had lowered our operating expense ratio with operating profit margin surged up to 56% from 44% in the previous year. Overall speaking, its business performance is encouraging.

During the period under review, Xinpeng Biotechnology recorded a growth of 15% in its turnover, which was due to the increase of its product sales as a result of the strengthened marketing efforts of the sales force of Xinpeng Biotechnology. However, due to intensifying market competition, product pricing was under pressure. As a result, the profit in Xinpeng Biotechnology decreased to approximately HK$1.24 million (2008: approximately HK$6.44 million) during the year under review.

Mining and Energy

Following the Huize County project introduced last year, during the period under review, Yunnan Tianda Mining Ltd., a non-wholly owned subsidiary of the Group, entered into a cooperative exploration and development contract with Yunnan Province Non-Ferrous Metals Geological Exploration Institute and other parties, pursuant to which the parties have reached an agreement in relation to the cooperative exploration and development project for the prospecting of copper and multi-metal mine at Xinqiao, Dongchuan District, Yunnan Province. Pursuant to the cooperative contract, the main purpose of the cooperation is for the registration of rights in respect of the cooperative project and the cooperative exploration and development in the cooperative project.

The entering of the cooperative contract marked a major step of the Group in exploring the mineral resources in Yunnan Province. The Group will be able to benefit from the expertise, experience and professionals of Yunnan Non-Ferrous Metals Exploration Institute in the areas of exploration and development of mineral resources. As such, entering into the cooperative contract will provide the Group with full support of technical expertise and may potentially bring new earnings driver for the Group.

As at 31 March 2009, the Group held two exploration rights in Yunnan, one in Xinqiao, Dongchuan District, Yunnan Province and one in, Huize County (between Shuangshitou and Xijia Village) covering 7.71 sq. km and 45.45 sq. km respectively. During the year under review, the Group had completed the geological survey design of the two projects and carried out field geological survey work. The survey work is currently making good progress.

Printing Business

During the year under review, Yuxi Globe Colour Printing Carton Co., Ltd., of which 18.75% equity interests is held by the Group, adjusted its product mix timely and improved its competitiveness. This resulted in a significant improvement in its operating results, and contributed a dividend income of approximately HK$3.66 million to the Group. In the previous year, an impairment loss of HK$0.26 million was provided by the Group for Yuxi Globe Colour Printing Carton Co., Ltd.

On the other hand, Yunnan Xingning Colour Material Printing Co. Ltd., another associated company of the Group of which 25% equity interests is held by the Group, faced pricing pressure for its products and hence its profit decreased to approximately HK$1.76 million (2008: approximately HK$3.07 million) during the year under review.

Property Development

The Group's property development business is mainly operated by Zhuhai Tianheng Property Co. Ltd. ("Zhuhai Tianheng Property"), our wholly owned subsidiary in the PRC. The Company holds a piece of land located at the south-western section of Harbour Main Road, Yinkeng, Xiangzhou, Zhuhai (the "Land"). The Land has a total site area of approximately 25,000 square meters. After taking into account of the risk of property industry associated with the prolonged uncertain economy, the Group will consider pulling out from the property industry in Zhuhai should opportunities arise, in order to re-allocate resources to other more profitable business segments.

OUTLOOK

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 Meng Sheng Pharmaceutical to cope with the intense competition in the domestic pharmaceutical market effectively. The Group therefore believes that in the coming year, Meng Sheng Pharmaceutical will maintain its growth momentum similar to this year and will contribute more profit to the Group. Moreover, leveraging on the solid experience of the management team, the operating results of Xinpeng Biotechnology is expected to improve through the research and development in new medicine. The Group is also committed to maintaining its effective cost control measures. In general, the Group believes that the pharmaceutical and biotechnology business will achieve a better performance in the year to come.

With the continuous increase in global demand for mining and energy in the long run, the Group is optimistic about the future market demand and industry prospect of mining and energy. Hence, the Group is committed to actively seeking business opportunities and expanding its business in the exploration, development and investment of mining and energy. On the one hand, the Group has successfully obtained the Certificate of Approval for Exploration of Mineral Resources for two mineral resources projects. The sites are estimated to contain certain deposits of copper, lead and phosphorous, etc. It is in the process of applying more mining rights. On the other hand, it may carry out mergers and acquisitions in China and Australia targeting high quality projects to accelerate its investment in the industry. It is expected that the strategy of focusing on mining and energy development will bring growth momentum and new earnings driver for the Group.

The Group will explore opportunities to expand its printing business through measures like restructuring or shares swap, enabling this business segment to increase its contributions to the Group's results.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy condition. As at 31 March 2009, the Group had cash and bank balances of approximately HK$135.38 million (2008: HK$138.93 million), of which approximately 19% and 28% 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 during the year under review. 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 charge on assets as at 31 March 2009 and 31 March 2008.

EMPLOYEES

As at 31 March 2009, the Group employed approximately 120 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

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 complied with the code provisions as set out in the Code during the year ended 31 March 2009 apart from the code provisions A.3 and E.1.2.

Code provision A.3 of the Code provides a minimum of three independent non-executive directors as per rule 3.10 of the Listing Rules. Mr. Wu Wen Jing, Benjamin resigned as an independent non-executive director on 1 January 2009 and Mr. Chiu Fan Wa was appointed as an independent non-executive director on 31 March 2009. The Company has two independent non-executive directors during the period from 1 January 2009 to 30 March 2009.

Code provision E.1.2 of the Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Mr. Li Suiming, the Chairman of the Board, due to other business commitment, was unable to attend the annual general meeting of the Company held on 27 August 2008.

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.

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

Executive directors:

Mr. Li Suiming *(Chairman)*
Mr. Fang Wen Quan *(Managing Director)*
Mr. Liu Huijiang
Mr. Ma Pizhi (resigned on 1 September 2008)
Mr. Li Guanglin (resigned on 31 March 2009)

Independent non-executive directors:

Mr. Chiu Sung Hong (appointed on 10 April 2008)
Mr. Lam Yat Fai
Mr. Chiu Fan Wa (appointed on 31 March 2009)
Mr. Ho Wing Fun (resigned on 10 April 2008)
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)

Independent non-executive directors are appointed for a term of 2 years and are subject to retirement in accordance with the Company's Articles of Association.

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.

The Articles of Association of the Company provide that one-third of all the directors shall retire from office by rotation at each annual general meeting, and the independent non-executive directors are subject to this provision. The Company has received annual confirmation of independence from the three INEDs in accordance with rule 3.13 of the Listing Rules.

During the period from 1 January 2009 to 30 March 2009, the Company experienced to have only two independent non-executive directors and two audit committee members which was below the minimum number of three as required under the Listing Rules 3.10(1) and 3.21, the Company endeavoured to identify the right person to fill the vacancy and made relevant announcements on 31 December 2008 and 31 March 2009 to update the shareholders and public in relation thereto.

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 2009, the Board held 10 meetings. The attendance of the directors at the meetings are as follows:

Directors	**Number of Attendance**
Executive directors	
Mr. Li Suiming *(Chairman)*	4
Mr. Fang Wen Quan *(Managing Director)*	9
Mr. Liu Huijiang	3
Mr. Ma Pizhi (resigned on 1 September 2008)	7
Mr. Li Guanglin (resigned on 31 March 2009)	2
Independent non-executive directors	
Mr. Chiu Sung Hong (appointed on 10 April 2008)	2
Mr. Lam Yat Fai	5
Mr. Chiu Fan Wa (appointed on 31 March 2009)	N/A
Mr. Ho Wing Fun (resigned on 10 April 2008)	N/A
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)	3

CHAIRMAN AND MANAGING DIRECTOR

During the year, the Chairman of the Board is Mr. Li Suiming and the Managing Director is Mr. Ma Pizhi (resigned on 1 September 2008) and Mr. Fang Wen Quan (appointed on 1 September 2008).

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. Chiu Sung Hong, Mr. Lam Yat Fai and Mr. Chiu Fan Wa and one executive director of the Company, Mr. Fang Wen Quan (who is the Chairman of the remuneration committee).

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.

For the terms of reference of the remuneration committee, please visit the website of our Company www.yunnan.com.hk.

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. Fang Wen Quan *(Chairman)* (appointed on 1 September 2008)	1
Mr. Chiu Sung Hong (appointed on 10 April 2008)	1
Mr. Lam Yat Fai	1
Mr. Chiu Fan Wa (appointed on 31 March 2009)	N/A
Mr. Ho Wing Fun (resigned on 10 April 2008)	N/A
Mr. Ma Pizhi (resigned on 1 September 2008)	N/A
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)	N/A

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, the changes in the composition of the Board of Director, audit committee and the remuneration committee had been disclosed in this report and had been considered and approved by the Board.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the company, being Mr. Chiu Sung Hong *(Chairman)*, Mr. Lam Yat Fai and Mr. Chiu Fan Wa.

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; and
- 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.

For the terms of reference of the audit committee, please visit the website of our Company www.yunnan.com.hk.

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

	Number of attendance
Mr. Chiu Sung Hong *(Chairman)* (appointed on 10 April 2008)	3
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)	2
Mr. Lam Yat Fai	3
Mr. Chiu Fan Wa (appointed on 31 March 2009)	N/A
Mr. Ho Wing Fun (resigned on 10 April 2008)	N/A

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

- review of the financial statements for the year ended 31 March 2008 and for the six months ended 30 September 2008.
- considering and approval of the remuneration and terms of engagement of the external auditor.
- review of the internal control and financial reporting matters of the Company.

AUDITOR'S REMUNERATION

The fees in relation to the audit and other services for the year provided by Deloitte Touche Tohmatsu, the external auditor of the Company, amounted to HK$709,502 and HK$21,900 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 auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 22.

The Board is responsible for maintaining a sound and effective system of internal control so as to ensure the shareholders' investment and the Company's assets are properly safeguarded. The system of internal control is designed to manage the risk of failure to achieve corporate objectives and can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. In addition, the Board has reviewed the effectiveness of the system of internal control of the Group through the audit committee and the internal audit team of the Company. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 2009.

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 employs 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 2008 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 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.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and associated companies are research, development, production and sales of pharmaceutical and biotechnology products; exploration, development and investment of mining and energy, packaging and printing; property holding and development and as well as investment holding.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and performance contribution by principal activity and geographical area to our operations for the year ended 31 March 2009 is set out in note 7 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2009, the five largest customers of the Group accounted for approximately 86% of the Group's total turnover while the largest customer of the Group accounted for approximately 41% of the Group's turnover. In addition, for the year ended 31 March 2009, the five largest suppliers of the Group accounted for approximately 53% of the Group's total purchases while the largest supplier of the Group accounted for approximately 15% 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 2009 are set out in the consolidated income statement on page 24.

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 of 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 of 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 2009, 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. Furthermore, 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 2009, the Company's share premium account amounted to HK$473,077,599.

DIRECTORS

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

Executive directors:

Mr. Li Suiming *(Chairman)*
Mr. Fang Wen Quan *(Managing Director)*
Mr. Liu Huijiang
Mr. Ma Pizhi (resigned on 1 September 2008)
Mr. Li Guanglin (resigned on 31 March 2009)

Independent non-executive directors:

Mr. Chiu Sung Hong (appointed on 10 April 2008)
Mr. Lam Yat Fai
Mr. Chiu Fan Wa (appointed on 31 March 2009)
Mr. Ho Wing Fun (resigned on 10 April 2008)
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)

In accordance with Articles 91 and 99 of the Company's Articles of Association, Messrs. Fang Wen Quan, Lam Yat Fai and Chiu Fan Wa will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are appointed for a term of 2 years 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, has 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 2009, apart from for Mr. Fang Wen Quan who is also the beneficial owner of Tianda Group Limited, the controlling shareholder of the Group (whose interest in the shares of the Company is set out in the section "Substantial Shareholders" below and interests in shares of associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) as described 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 which were recorded in the register as required to be kept by the Company under Section 352 of the SFO.

At 31 March 2009, the interests of directors in shares of associated corporations of the Company are as follows:

Director	Name of subsidiary	Number of ordinary shares	% of total issued ordinary shares
Mr. Fang Wen Quan	Tianda Mining (Gansu) Limited	49	49%
	Tianda Mining (Yunnan) Limited	49	49%

Note: The above shares are beneficially owned by Tianda Group Limited. Mr. Fang Wen Quan has 100% equity interest in Tianda Group Limited and accordingly, is deemed to have a corporate interest in these shares. All the above interests represent long position.

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, is 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 was a party to any arrangements to enable the directors of the Company to acquire benefits by means of 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

On 13 May 2008, the Company entered into agreements with Tianda Group Limited to 1) dispose of each of its 49% interest in two wholly-owned subsidiaries (Tianda Mining (Gansu) Limited and Tianda Mining (Yunnan) Limited) for a consideration of HK$49 and HK$3,826,000 respectively; 2) provision of shareholders' loan to these two subsidiaries for the establishment of two wholly foreign-owned enterprises in PRC and investments in exploring and development mineral resources in the PRC in proportion to their respective equity interest in the subsidiaries. As at 31 March 2009, the balance of shareholder's loan contributed by the ultimate holding company amounted to HK$3,826,000.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2009, as stated in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following shareholders had reported to 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	Interest in controlled corporation	475,586,080 (Note 1)	50.86
South Hong Investment Limited	Beneficial owner	214,992,930 (Note 2)	22.99
Hongta Tobacco (Group) Limited	Interest in controlled corporation	214,992,930 (Note 2)	22.99

Notes:

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

(2) Such 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 2009, 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 2009.

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

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

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations from each of the independent non-executive directors confirming their 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 determined accordingly to their performance, 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 executives 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.

SUFFICIENT PUBLIC FLOAT

According to the information that is publicly available to the Company and to the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 March 2009.

AUDITOR

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

On behalf of the Board

Li Suiming
Chairman

Hong Kong, 22 July 2009

Deloitte.
德勤

TO THE MEMBERS 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 2009, 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 2009 and of the Group's profit 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
22 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	NOTES	2009 HK$	2008 HK$
Revenue	7	**56,936,406**	36,303,710
Cost of sales		**(16,339,968)**	(10,069,226)
Gross profit		**40,596,438**	26,234,484
Other income and gains	8	**3,144,948**	4,274,621
Distribution and selling expenses		**(1,229,891)**	(1,709,130)
Administrative expenses		**(21,715,222)**	(14,299,775)
Other expenses		**(192,524)**	(711,495)
(Loss) gain arising from change in fair value of an investment property	14	**(2,200,000)**	5,600,000
Share of results of associates	19	**924,494**	3,859,333
Impairment loss on investment in an investee company	20	**–**	(260,000)
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	33(e)	**–**	(133,073,501)
Profit (loss) before tax		**19,328,243**	(110,085,463)
Income tax expense	9	**(5,638,138)**	(2,831,474)
Profit (loss) for the year	10	**13,690,105**	(112,916,937)
Attributable to:			
Equity holders of the Company		**2,751,757**	(121,350,292)
Minority interests		**10,938,348**	8,433,355
		13,690,105	(112,916,937)
		HK cent	HK cent
Basic earnings (loss) per share	12	**0.29**	(19.44)

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	NOTES	2009 HK$	2008 HK$
NON-CURRENT ASSETS			
Investment property	14	**20,800,000**	23,000,000
Property, plant and equipment	15	**23,235,598**	24,890,975
Prepaid lease payments	16	**3,886,581**	3,897,403
Goodwill	17	**6,021,017**	5,895,113
Exploration and evaluation assets	18	**1,820,930**	–
Advance payment for property, plant and equipment		**1,804,926**	–
Interests in associates	19	**51,453,148**	50,013,527
Investment in an investee company	20	**32,465,141**	32,465,141
		141,487,341	140,162,159
CURRENT ASSETS			
Inventories	21	**4,664,259**	2,733,854
Properties held for development	22	**120,572,522**	118,051,261
Trade and other receivables	23	**7,696,283**	4,198,197
Prepaid lease payments	16	**89,148**	87,283
Available-for-sale investment	24	**28,337,500**	3,437,813
Bank deposits	25	**107,420,409**	99,018,328
Bank balances and cash	25	**27,957,910**	39,916,148
		296,738,031	267,442,884
CURRENT LIABILITIES			
Trade and other payables	26	**14,969,702**	5,013,402
Government grants – current portion	27	**334,383**	333,439
Amount due to an associate	33(a)	**891,893**	909,362
Loans from ultimate holding company	33(a), (d)	**3,826,000**	–
Tax payable		**3,415,452**	1,072,091
		23,437,430	7,328,294
NET CURRENT ASSETS		**273,300,601**	260,114,590
Total assets less current liabilities		**414,787,942**	400,276,749
NON-CURRENT LIABILITY			
Government grants – non-current portion	27	**2,173,485**	2,504,535
		412,614,457	397,772,214
CAPITAL AND RESERVES			
Share capital	28	**93,505,908**	93,505,908
Reserves		**294,310,219**	286,423,766
Equity attributable to equity holders of the Company		**387,816,127**	379,929,674
Minority interests		**24,798,330**	17,842,540
		412,614,457	397,772,214

The consolidated financial statements on pages 24 to 82 were approved and authorised for issue by the Board of Directors on 22 July 2009 and are signed on its behalf by:

LI SUIMING
Chairman

FANG WEN QUAN
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company											
		Reserves										
	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$ Note (i)	Special reserve HK$ Note (ii)	Statutory reserves HK$ Note (iii)	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 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 33(e))	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 and 1 April 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
Gain on fair value changes of available-for-sale investment	–	–	–	–	–	–	–	300,436	–	300,436	–	300,436
Exchange difference arising on translation	–	–	–	–	–	–	5,085,502	–	–	5,085,502	472,955	5,558,457
Total income recognised directly in equity	–	–	–	–	–	–	5,085,502	300,436	–	5,385,938	472,955	5,858,893
Transfer to profit and loss on disposal of available-for-sale investment	–	–	–	–	–	–	–	(251,242)	–	(251,242)	–	(251,242)
Profit for the year	–	–	–	–	–	–	–	–	2,751,757	2,751,757	10,938,348	13,690,105
Total recognised income and expenses for the year	–	–	–	–	–	–	5,085,502	49,194	2,751,757	7,886,453	11,411,303	19,297,756
Partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	3,825,018	3,825,018
Transfer to reserves	–	–	–	–	–	2,044,575	–	–	(2,044,575)	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–	(8,280,531)	(8,280,531)
At 31 March 2009	**93,505,908**	**473,077,599**	**8,000**	**(7,938,469)**	**3,460,016**	**10,545,500**	**23,157,814**	**157,614**	**(208,157,855)**	**294,310,219**	**24,798,330**	**412,614,457**

Notes:

(i) The goodwill reserve of the Group arose on the acquisition of an associate in prior years which are engaged in the sales of pharmaceutical and biotechnology products.

(ii) 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.

(iii) 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 2009

	2009 HK$	2008 HK$
OPERATING ACTIVITIES		
Profit (loss) before tax	**19,328,243**	(110,085,463)
Adjustments for:		
Amortisation of prepaid lease payments	**89,148**	82,457
Depreciation of property, plant and equipment	**3,587,192**	3,157,436
Loss on disposal of property, plant and equipment	**111,591**	–
Loss (gain) arising from change in fair value of an investment property	**2,200,000**	(5,600,000)
Gain on partial disposal of subsidiaries	**(1,031)**	–
Government grants deducted against research and development costs	**(56,335)**	(53,261)
Government grants released to income	**(334,382)**	(309,288)
Impairment loss on investment in an investee company	**–**	260,000
Impairment loss on loan to an investee company	**–**	54,390
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	**(2,200,503)**	(2,575,438)
Fair value gain on held-for-trading investments	**–**	(1,312,725)
Gain on disposal of available-for-sale investment	**(251,242)**	–
Share of results of associates	**(924,494)**	(3,859,333)
Write-down of inventories	**–**	97,186
Operating cash flows before movements in working capital	**21,548,187**	12,929,462
Increase in inventories	**(1,889,169)**	(919,412)
(Increase) decrease in trade and other receivables	**(5,287,888)**	4,201,740
Increase in trade and other payables	**1,463,094**	582,367
Decrease in deposit received	**–**	(332,939)
Increase in trading of held-for-trading investments	**–**	1,320,274
Cash generated from operations	**15,834,224**	17,781,492
PRC income tax paid	**(3,200,011)**	(1,664,155)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**12,634,213**	16,117,337

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$	2008 HK$
INVESTING ACTIVITIES		
Increase in bank deposits	**(8,222,605)**	(41,422,103)
Purchase of available-for-sale investment	**(28,337,500)**	(3,329,393)
Proceeds of disposal of available-for-sale investment	**3,580,635**	–
Purchase of property, plant and equipment	**(1,629,603)**	(1,293,690)
Advance payment for property, plant and equipment	**(1,804,926)**	–
Repayment from former ultimate holding company	**–**	350,000
Interest received	**2,200,503**	2,575,438
Income derived from available-for-sale investment	**157,614**	–
Dividend received from an investee company	**1,864,525**	–
Dividend received from an associate	**553,148**	661,823
Sales proceeds on partial disposal of subsidiaries	**3,826,049**	–
Expenditure paid for exploration and evaluation asset	**(1,820,930)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(29,633,090)**	(42,457,925)
FINANCING ACTIVITIES		
Loans from ultimate holding company	**3,826,000**	–
Acquisition of assets through purchase of a subsidiary (note 33(e))	**–**	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	**3,826,000**	54,258,195
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,172,877)**	27,917,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**39,916,148**	8,545,892
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,214,639**	3,452,649
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**27,957,910**	39,916,148

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. During the year, its ultimate holding company is Tianda Group Limited, a private limited company incorporated in Hong Kong. The address of the registered office and the principal place of business of the Company are disclosed on page 3 of the annual report.

During the year, the Company obtained exploration rights in two concession areas in Yunnan Province, PRC for the business segment of exploration of mineral resources. In view of expanding operating activities in the PRC undertaken by its subsidiaries and its sources of income are primarily its subsidiaries in the PRC, the Company changed its functional currency from Hong Kong dollars ("HK$") to Renminbi ("RMB"). As a result of the change in functional currency, the Company translated all items into RMB using the prevailing exchange rate at the date of change and the resulting translated amounts for non-monetary items are treated as their historical cost.

As the Company is listed in Hong Kong, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollar, the presentation currency for the consolidated financial statements.

The Company acts as an investment holding company. The principal activities of the Group are research, development, production and sales of **pharmaceutical and biotechnology products**; exploration, development and investment of **mining and energy**; **property holding and development** as well as **investment holdings**.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective:

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The adoption of the 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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers on or after 1 July 2009

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and 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.

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.

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

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).

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 at the balance sheet date.

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.

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.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploration are capitalized pending a determination of whether sufficient quantities of potentially nonferrous metal reserves have been discovered.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for nonferrous metal resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting nonferrous metal resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as tangible assets. These assets are assessed for impairment before reclassification.

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

Exploration and evaluation assets *(Cont'd)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. Impairment test is performed in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

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.

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

Financial instruments *(Cont'd)*

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.

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 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 losses.

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.

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

Financial instruments *(Cont'd)*

Effective interest method *(Cont'd)*

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, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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 affected.

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, amount due to an associate and amount due to a shareholder 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, other than properties held for development, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for development

Properties under development which are developed in the ordinary course of business are included in the current assets and stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights and other directly attributable costs.

Impairment losses on assets other than goodwill, exploration and evaluation assets

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.

Embedded derivatives

Derivates embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) 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 group entities are 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.

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

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of the change, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

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.

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.

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.

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

Taxation *(Cont'd)*

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.

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 income statement.

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 accounted for as operating leases, except for those that are classified and accounted for as investment properties under the fair value model.

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.

Key sources of estimation uncertainty

The following are the 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty *(Cont'd)*

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 and expected net assets value sharing upon dissolution 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 20.

As at 31 March 2009, the carrying amount of investment in an investee company was HK$32,465,141 (2008: HK$32,465,141) and no impairment loss was recognised during year ended 31 March 2009 (for the year ended 31 March 2008: HK$260,000 impairment loss was recognised).

Net realisable value for properties held for development

Net realisable value for properties held for development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. During the course of their assessment, management will also make reference to property valuations conducted by independent qualified professional valuer based on comparable market prices. Management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by management, additional adjustments to the value of properties held for development may be required. As at 31 March 2009, the carrying amounts of properties held for development are HK$120,572,522 (2008: HK$118,051,261) and no impairment loss was recognised during the years ended 31 March 2009 and 2008.

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 consists of equity attributable to equity holders of the Company, comprising share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis to maintain a strong capital base to support the development of its business. The directors of the Company also balance its overall capital structure through raise new debt, issue new shares and payment of dividends.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009	2008
	HK$	HK$
Financial assets		
Loans and receivables	**141,086,279**	142,598,979
Available-for-sale investments	**60,802,641**	35,902,954
Financial liabilities		
Liabilities measured at amortised cost	**18,829,004**	5,446,858

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, trade and other payables, amount due to an associate, loans from ultimate holding company, 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.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

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

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 in the PRC, which accounted for 100% (2008: 100%) of the total trade receivables as at 31 March 2009.

The Group has concentration of credit risk as 48.1% (2008: 83.7%) of the total trade receivables was due from the Group's largest customer within the sales of pharmaceutical and biotechnology products. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by applying a limit on the credit to this customer.

The Group is also exposed to credit risk through the investment in certain investment products (無固定期限超短期法人理財產品), which is classified as available-for-sale investment (as disclosed in note 24) in current year.

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	
	2009	2008
	HK$	HK$
United States Dollar ("US$")	**25,958,746**	25,499,075
HK$	**86,896,236**	–

6. FINANCIAL INSTRUMENTS *(Cont'd)*

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

***Market risks** (Cont'd)*

(i) Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to a 2% increase and decrease in RMB against the relevant foreign currencies for the year ended 31 March 2009. The sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates with reference to historical fluctuation of foreign exchange rates during the year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 March 2009 for a corresponding change in foreign currencies rates. A negative number below indicates a decrease in post-tax profit for the year where the RMB strengthens against the relevant currencies. For a weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2009
	HK$
US$	**(519,000)**
HK$	**(1,738,000)**

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$ was prepared for the year ended 31 March 2008 as in the management's opinion the impact on the profit of the Group was not material. There was no foreign currency exposure to the Group as all other monetary items were recorded in the functional currencies of each individual group entity at 31 March 2008.

The balances of bank deposits denominated in foreign currency fluctuated throughout the year and in management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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 any 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 decreased during the current year mainly due to the decrease in variable rate bank deposits and bank balances at the year end.

The sensitivity analysis below has excluded interest rate risk arising from investment products (as disclosed in note 24) as the entire investment was settled subsequent to the balance sheet date and the management considered that the interest rate risk in this regard is minimal.

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 (2008: 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 (2008: 50 basis point) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2009 would increase approximately by HK$960,000 (2008: HK$695,000). For a 50 basis point (2008: 50 basis point) decrease, there would be HK$545,000 (2008: HK$695,000) opposite impact on the post-tax profit for the year ended 31 March 2009 as the interest rate is capped at 0% for those HK$ denominated bank deposits and bank balances with interest rate 0.001% per annum at the balance sheet date.

6. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks *(Cont'd)*

(iii) Price risk

The Group is exposed to price risk through its investment in an investment fund (as disclosed in note 24) for the year ended 31 March 2008 as well as an investee company (as disclosed in note 20). Therefore, exposures to price risk because of changes in market prices arose. The investment fund was disposed in the current year. The sensitivity analysis below has excluded price risk arising from investment in an investee company which is measured at cost less impairment as fair value cannot be reliably measured.

Price sensitivity analysis

For the year ended 31 March 2008, the sensitivity analysis had been determined based on the exposure to price risks for investment fund fluctuating in the market at the balance sheet date. If the price of investment fund had been 5% higher/lower the Group's equity would increase/decrease by approximately HK$172,000 as a result of the changes in fair value of investment fund.

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 2009 and 2008. 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 2009				
Trade and other payables	**14,111,111**	**–**	**14,111,111**	**14,111,111**
Amount due to an associate	**891,893**	**–**	**891,893**	**891,893**
Loans from ultimate holding company	**3,826,000**	**–**	**3,826,000**	**3,826,000**
	18,829,004	**–**	**18,829,004**	**18,829,004**
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

c. Fair value

The fair value of financial assets and financial liabilities (excluding investment fund disclosed in note 24) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For the year ended 31 March 2008, the fair value of investment fund was determined with reference to price quoted by the bank, which was 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 operating divisions (2008: five) – research, development, production and sales of **pharmaceutical and biotechnology products**; exploration, development and investment of **mining and energy**; **property rental**; **property development** and **investment holding** for dividend income. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Pharmaceutical and biotechnology products	Property rental	Property development	Investment holding	Mining and energy	Unallocated	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Year ended 31 March 2009							
REVENUE – EXTERNAL	50,417,568	858,672	–	5,660,166	–	–	56,936,406
SEGMENT RESULTS	28,032,045	(1,611,401)	–	5,182,423	(90,205)	–	31,512,862
Other income						2,751,386	2,751,386
Unallocated corporate expenses						(15,860,499)	(15,860,499)
Share of results of associates	595,636	–	–	–	–	328,858	924,494
Profit before tax							19,328,243
Income tax expense							(5,638,138)
Profit for the year							13,690,105
Year ended 31 March 2008							
REVENUE – EXTERNAL	35,445,038	858,672	–	–	–	–	36,303,710
SEGMENT RESULTS	17,121,214	5,050,898	(196,612)	(362,935)	(83,875)	–	21,528,690
Other income						3,965,333	3,965,333
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)

For the year ended 31 March 2009

7. SEGMENT INFORMATION *(Cont'd)*

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

BALANCE SHEET

	Pharmaceutical and biotechnology products HK$	Property rental HK$	Property development HK$	Investment holding HK$	Mining and energy HK$	Unallocated HK$	Consolidated HK$
At 31 March 2009							
ASSETS							
Segment assets	39,091,035	21,001,034	120,712,631	35,332,452	2,862,520	–	218,999,672
Interests in associates	44,849,039	–	–	–	–	6,604,109	51,453,148
Unallocated corporate assets						167,772,552	167,772,552
Consolidated total assets							438,225,372
LIABILITIES							
Segment liabilities	15,961,164	187,152	20,000	–	95,689	–	16,264,005
Unallocated corporate liabilities						9,346,910	9,346,910
Consolidated total liabilities							25,610,915
At 31 March 2008							
ASSETS							
Segment assets	37,087,529	23,268,500	118,160,423	34,185,346	–	–	212,701,798
Interests in associates	44,849,039	–	–	–	–	5,164,488	50,013,527
Unallocated corporate assets						144,889,718	144,889,718
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

	Pharmaceutical and biotechnology products HK$	Property rental HK$	Property development HK$	Investment holding HK$	Mining and energy HK$	Unallocated HK$	Consolidated HK$
Year ended 31 March 2009							
Capital additions	652,172	–	–	–	2,784,244	14,117	3,450,533
Loss arising from change in fair value of an investment property	–	2,200,000	–	–	–	–	2,200,000
Depreciation of property, plant and equipment	2,452,309	42,200	–	–	90,205	1,002,478	3,587,192
Amortisation of prepaid lease payments	89,148	–	–	–	–	–	89,148
Loss on disposal of property, plant and equipment	–	–	–	111,591	–	–	111,591
Year ended 31 March 2008							
Capital additions	1,273,012	–	118,051,261	–	–	20,678	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	2,079,496	54,616	–	–	–	1,023,324	3,157,436
Amortisation of prepaid lease payments	82,457	–	–	–	–	–	82,457
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 investment in an investee company	–	–	–	260,000	–	–	260,000
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)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2009	2008
	HK$	HK$
Hong Kong	**858,672**	858,672
PRC	**56,077,734**	35,445,038
	56,936,406	36,303,710

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of Segment assets		**Capital addition**	
	2009	2008	**2009**	**2008**
	HK$	HK$	**HK$**	HK$
Hong Kong	**23,868,345**	24,988,705	**–**	–
PRC	**195,131,327**	187,713,093	**3,450,533**	119,344,951
	218,999,672	212,701,798	**3,450,533**	119,344,951

8. OTHER INCOME AND GAINS

	2009	2008
	HK$	HK$
Interest income from bank deposits	**2,200,503**	2,575,438
Fair value gains on held-for-trading investments	**270,572**	1,312,725
Gain on disposal of available-for-sale investment	**251,242**	–
Gain on partial disposal of subsidiaries	**1,031**	–
Government grants released to income	**334,382**	309,288
Others	**87,218**	77,170
	3,144,948	4,274,621

For the year ended 31 March 2009

9. INCOME TAX EXPENSE

	2009	2008
	HK$	HK$
Income tax expense comprises:		
Current year tax		
PRC enterprise income tax	**5,520,497**	2,831,474
Underprovision in prior years		
PRC enterprise income tax	**117,641**	–
	5,638,138	2,831,474

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.

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. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008.

Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng"), a subsidiary of the Group, is established in the Kunming economic development zone. Meng Sheng was exempted from the PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The 50% reduction in enterprise income tax was expired for the year ended 31 December 2007. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng was entitled to a preferential Enterprise Income Tax rate of 15% from 1 January 2008 to 31 December 2010. The applicable tax rate to Meng Sheng is 15% (2008: 15%).

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 profit (loss) before tax per the consolidated income statement as follows:

	2009	2008
	HK$	HK$
Profit (loss) before tax	**19,328,243**	(110,085,463)
Tax at domestic income tax rates applicable to profits in the jurisdictions concerned (note)	**5,693,291**	(18,987,394)
Tax effect of share of results of associates	**(152,532)**	(675,383)
Tax effect of expenses not deductible for tax purpose	**1,399,575**	23,349,620
Tax effect of income not taxable for tax purpose	**(1,280,895)**	(342,836)
Tax effect of tax losses not recognised	**1,198,304**	1,726,625
Tax effect on deductible temporary difference not recognised	**545,381**	–
Utilisation of tax losses previously not recognised	**(72,651)**	(111,141)
Utilisation of deferred tax assets previously not recognised	**(368)**	(999,483)
Effect of temporary difference not recognised	**–**	(66,752)
Effect of tax concession grant to a PRC subsidiary	**(3,255,518)**	(1,059,723)
Underprovision in respect of prior years	**117,641**	–
Withholding tax of income generated from PRC	**1,433,802**	–
Others	**12,108**	(2,059)
Income tax expense for the year	**5,638,138**	2,831,474

Note:

Domestic income tax rates of 25% and 16.5% (2008: 33% and 17.5%) were used for preparing tax computation for group entities incorporated in PRC and Hong Kong, respectively.

10. PROFIT (LOSS) FOR THE YEAR

	2009 HK$	2008 HK$
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	**7,342,465**	4,538,143
Retirement benefits scheme contributions	**209,108**	140,752
Total staff costs	**7,551,573**	4,678,895
Depreciation of property, plant and equipment	**3,587,192**	3,157,436
Amortisation of prepaid lease payments	**89,148**	82,457
Auditor's remuneration	**709,502**	778,872
Cost of inventories recognised as expense	**16,339,968**	9,972,040
Impairment loss on loan to an investee company (included in other expenses)	**–**	54,390
Loss on disposal of property, plant and equipment (included in other expenses)	**111,591**	–
Research and development costs	**137,268**	710,366
Less: Government grants released	**(56,335)**	(53,261)
Net research and development costs (included in other expenses)	**80,933**	657,105
Write-down of inventories (included in cost of sales)	**–**	97,186
Expenses arising from issue of new shares (note 33(e))	**–**	1,377,485
and after crediting:		
Dividend income from investment in an investee company	**5,660,166**	–
Net foreign exchange gain	**177,405**	40,701

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefits scheme contributions	Total emoluments
	HK$	HK$	HK$	HK$
For the year ended 31 March 2009				
Mr. Li Suiming*	**60,000**	**–**	**–**	**60,000**
Mr. Fang Wen Quan*	**60,000**	**–**	**–**	**60,000**
Mr. Ma Pizhi* (resigned on 1 September 2008)	**16,500**	**133,251**	**–**	**149,751**
Mr. Li Guanglin* (resigned on 31 March 2009)	**60,000**	**–**	**–**	**60,000**
Mr. Liu Huijiang*	**60,000**	**–**	**–**	**60,000**
Mr. Ho Wing Fun (resigned on 10 April 2008)	**–**	**–**	**–**	**–**
Mr. Lam Yat Fai	**60,000**	**–**	**–**	**60,000**
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)	**45,000**	**–**	**–**	**45,000**
Mr. Chiu Sung Hong (appointed on 10 April 2008)	**60,000**	**–**	**–**	**60,000**
Mr. Chiu Fan Wa (appointed on 31 March 2009)	**–**	**–**	**–**	**–**
	421,500	**133,251**	**–**	**554,751**
For the year ended 31 March 2008				
Mr. Li Suiming*	60,000	–	–	60,000
Mr. Fang Wen Quan*	60,000	–	–	60,000
Mr. Ma Pizhi*	60,000	426,048	–	486,048
Mr. Li Guanglin*	60,000	–	–	60,000
Mr. Liu Huijiang*	60,000	–	–	60,000
Mr. Ho Wing Fun	60,000	–	–	60,000
Mr. Lam Yat Fai	60,000	–	–	60,000
Mr. Wu Wen Jing, Benjamin	60,000	–	–	60,000
	480,000	426,048	–	906,048

* Executive directors

No directors waived any emoluments in the two years ended 31 March 2009 and 2008.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2008: one) was a director of the Company whose emolument is included in the disclosures in note (a) above. The emoluments of the remaining four (2008: four) individuals were as follows:

	2009	2008
	HK$	HK$
Salaries and other benefits	**1,650,023**	1,214,084
Contributions to retirement benefits scheme	**38,000**	35,800
	1,688,023	1,249,884

The aggregate emoluments of each of the four (2008: four) highest paid 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 EARNINGS (LOSS) PER SHARE

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

	2009	2008
	HK$	HK$
Earnings (loss)		
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	**2,751,757**	(121,350,292)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**935,059,080**	624,170,425

No diluted earnings (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 2009, nor has any dividend been proposed since the balance sheet date (for the year ended 31 March 2008: Nil).

14. INVESTMENT PROPERTY

	HK$
FAIR VALUE	
At 1 April 2007	17,400,000
Increase in fair value recognised in the consolidated income statement	5,600,000
At 31 March 2008	23,000,000
Decrease in fair value recognised in the consolidated income statement	(2,200,000)
At 31 March 2009	**20,800,000**

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 2009 and 2008 has been arrived at on the basis of a valuation carried out on respective dates by Vigers Appraisal and Consulting Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at using the direct comparison method by reference to recent market prices for similar properties in the same locations and conditions.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, Leasehold improvements	Fixtures and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$
COST						
At 1 April 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
Exchange realignment	394,671	204,168	–	27,370	42,250	668,459
Additions	–	532,709	–	161,805	935,089	1,629,603
Disposals	–	(70,152)	–	(387,208)	–	(457,360)
At 31 March 2009	**17,388,952**	**11,504,406**	**2,824,556**	**3,664,326**	**2,847,630**	**38,229,870**
ACCUMULATED DEPRECIATION						
At 1 April 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
Exchange realignment	81,077	146,613	–	11,952	15,014	254,656
Provided for the year	1,079,799	998,930	856,269	301,476	350,718	3,587,192
Eliminated on disposals	–	(55,087)	–	(290,682)	–	(345,769)
At 31 March 2009	**4,957,153**	**4,667,787**	**2,658,032**	**1,750,500**	**960,800**	**14,994,272**
CARRYING VALUES						
At 31 March 2009	**12,431,799**	**6,836,619**	**166,524**	**1,913,826**	**1,886,830**	**23,235,598**
At 31 March 2008	13,198,004	7,260,350	1,022,793	2,134,605	1,275,223	24,890,975

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

16. PREPAID LEASE PAYMENTS

	2009 HK$	2008 HK$
Prepaid lease payments for medium-term leasehold land in the PRC:		
Included in current assets	**89,148**	87,283
Included in non-current assets	**3,886,581**	3,897,403
	3,975,729	3,984,686

17. GOODWILL

	HK$
COST	
At 1 April 2007	5,250,359
Exchange realignment	644,754
At 31 March 2008	5,895,113
Exchange realignment	125,904
At 31 March 2009	**6,021,017**

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 biotechnology products segment. During the year ended 31 March 2009 and 2008, 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 15.27% (for the year ended 31 March 2008: 15.89%). 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.

For the year ended 31 March 2009

18. EXPLORATION AND EVALUATION ASSETS

	HK$
Additions during the year and at 31 March 2009	1,820,930

Included in the above balance are expenditures incurred for acquisition of rights to explore nonferrous metal resources in Yunnan Province of the PRC over two years and carrying out activities in relation to geological research over two concession areas to evaluate the technical feasibility of exploration and extraction of mineral resources.

During the year ended 31 March 2009, the directors of the Company determines that there is no facts and circumstances suggest the carrying amount of exploration and evaluation asset exceed its recoverable amount and no impairment is recognised in the consolidated income statement.

19. INTERESTS IN ASSOCIATES

	2009	2008
	HK$	HK$
Cost of unlisted investment in associates	**52,246,744**	52,246,744
Share of post-acquisition loss, net of dividends received	**(9,751,505)**	(10,122,851)
Exchange realignment	**8,957,909**	7,889,634
	51,453,148	50,013,527

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

As at 31 March 2009 and 2008, 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 ("深圳新鵬")#	Incorporated	PRC	48	Research, development, manufacture and sale of biotechnology products
雲南華寧興寧彩印有限公司 ("雲南華寧興寧")	Incorporated	PRC	25	Printing and sale of cigarette packaging packs and boxes

\# The carrying amount included in the goodwill reserve is resulted from acquisition of 深圳新鵬 prior to 1 April 2001. No impairment loss was recognised during the years ended 31 March 2009 and 2008.

The carrying amount of the investment in associates includes goodwill amounting to HK$2,024,666 (2008: HK$1,982,322) arising on the acquisitions of 雲南華寧興寧 in prior years.

The movement of goodwill is set out below:

	HK$
COST	
At 1 April 2007	1,807,131
Exchange realignment	175,191
At 31 March 2008	1,982,322
Exchange realignment	42,344
At 31 March 2009	**2,024,666**

No impairment loss was recognised in respect of goodwill included in the investment in associates during the years ended 31 March 2009 and 2008.

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

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

	2009	2008
	HK$	HK$
Total assets	**146,274,193**	135,857,572
Total liabilities	**(21,587,327)**	(14,114,760)
Net assets	**124,686,866**	121,742,812
Net assets attributable to the Group	**49,428,482**	48,031,205
Turnover	**50,567,255**	42,581,999
Profit for the year	**3,002,113**	9,510,749
Profit for the year attributable to the Group	**924,494**	3,859,333

20. INVESTMENT IN AN INVESTEE COMPANY

The investment in an investee company at 31 March 2009 is accounted for as an available-for-sale investment which represents the Group's 18.75% (2008: 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 2009, management of the Group performed a review of the recoverable amount of the investment in Yuxi Globe and no impairment loss was recognised in the consolidated income statement (year ended 31 March 2008: an impairment loss of HK$260,000 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 five-year period (2008: six-year period), which is the estimated project life of the investment, and expected net assets value sharing upon dissolution at end of the fifth year, using a discount rate of 5.8% (2008: 6.5%).

21. INVENTORIES

	2009	2008
	HK$	HK$
Raw materials	**2,541,691**	1,308,685
Work in progress	**530,512**	236,098
Finished goods	**1,592,056**	1,189,071
	4,664,259	2,733,854

22. PROPERTIES HELD FOR DEVELOPMENT

	HK$
Cost	
At 1 April 2008	118,051,261
Exchange realignment	2,521,261
At 31 March 2009	**120,572,522**

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 2009. The carrying amount of properties held for development is expected to be recovered after more than 12 months.

At 31 March 2009, the management reviewed the carrying amount of the properties with reference to the estimated selling price based on prevailing market conditions, less applicable variable selling expenses and anticipated costs to completion of the residential properties provided by Vigers Appraisal and Consulting Limited. No write-down on the carrying amount of the properties is required.

23. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$	HK$
Trade receivables	**1,022,670**	1,754,546
Dividends receivable from an investee company	**3,795,641**	–
Other receivables, deposits and prepayments	**2,877,972**	2,443,651
Total trade and other receivables	**7,696,283**	4,198,197

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

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

	2009	2008
	HK$	HK$
0 – 60 days	**1,011,052**	1,682,631
Over 60 days	**11,618**	71,915
	1,022,670	1,754,546

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.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$11,618 (2008: HK$71,915) which are past due as at the balance sheet date for which the Group has not provided for impairment loss.

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

	2009	2008
	HK$	HK$
61 – 90 days	**11,618**	71,915

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.

24. AVAILABLE-FOR-SALE INVESTMENT

	2009	2008
	HK$	HK$
Investment fund	**–**	3,437,813
Investment products（無固定期限超短期法人理財產品）	**28,337,500**	–
	28,337,500	3,437,813

During the year, the Group acquired certain investment products from a bank. The investment products have no contractual maturity and its principal and accrued interests can be redeemed at the discretion of the Group. The return is determined with reference to the prevailing market interest rates and performance of the underlying debt instruments invested by the relevant bank. Accordingly, the Group is exposed to the credit risk of the underlying investments invested by the bank. The investment products are debt instruments and are designated as an available-for-sale investment on initial recognition. The investment products carry interest rate ranging from 1.30% – 2.0% per annum during the period and the return rate stated in the contract is capped at 2% per annum.

In the opinion of the directors, the fair value of the investment products at the balance sheet date approximated the principal amount, together with the accrued interests.

The investment products were settled at its principal amounts together with accrued interests subsequent to the balance sheet date.

At 31 March 2008, the fair value of the investment fund was 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 and was settled at its principal amount together with accrual interest during the year ended 31 March 2009.

25. BANK DEPOSITS, BANK BALANCES AND CASH

The bank deposits, comprise short-term fixed deposits with original maturity of 1 month, carry a market interest rate ranging from 0.3% to 2.25% (2008: 1.39% to 4.14%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.72% (2008: 0.01% to 0.72%) per annum.

Included in the carrying amount of the bank deposits are HK$25,958,746 which is denominated in US$ (2008: HK$25,499,075), foreign currency of the relevant group entities.

26. TRADE AND OTHER PAYABLES

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

	2009 **HK$**	2008 HK$
Trade payables		
Within 60 days	**2,202,368**	554,786
61 – 90 days	**26,008**	543,838
Over 90 days	**215,806**	357,763
	2,444,182	1,456,387
Dividend payable to a minority shareholder	**8,280,531**	–
Other payables and accruals	**4,244,989**	3,557,015
	14,969,702	5,013,402

The credit period on purchases of goods ranges from 30 days to 120 days. The Group monitors and maintains its cash and cash equivalents level sufficient to ensure that all payables are paid within the credit period.

For the year ended 31 March 2009

27. GOVERNMENT GRANTS

	Note a	Note b	**Total**
	HK$	HK$	HK$
At 1 April 2007	2,835,337	101,680	2,937,017
Charged to consolidated income statement/released 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
Charged to consolidated income statement/released to deduct research and development costs	(334,382)	(56,335)	(390,717)
Exchange realignment	59,432	1,179	60,611
At 31 March 2009	**2,507,868**	**–**	**2,507,868**

Analysed for reporting purposes as:

	2009	2008
	HK$	HK$
Current liabilities*	**334,383**	333,439
Non-current liabilities	**2,173,485**	2,504,535
	2,507,868	2,837,974

* 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.

Notes:

a. Grants were designated for the cost of acquisition of certain plant and equipment for the production of a pharmaceutical and biotechnology 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 were to comply with and other contingencies were attached to such grant, and management of the Group applied the government grants to the research and development of a pharmaceutical product and deducted against the costs incurred for that product in the same period.

28. SHARE CAPITAL

	Number of shares		Amount	
	2009	2008	**2009**	2008
			HK$	HK$
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning of the year	**2,000,000,000**	1,000,000,000	**200,000,000**	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**	2,000,000,000	**200,000,000**	200,000,000
Issued and fully paid:				
At beginning of the year	**935,059,080**	506,853,952	**93,505,908**	50,685,395
Issue of new shares on 21 December 2007 (Note 33(e))	**–**	428,205,128	**–**	42,820,513
At end of the year	**935,059,080**	935,059,080	**93,505,908**	93,505,908

Note:

On 10 December 2007, resolution of the shareholders were passed 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 2007	25,891	(25,891)	–
(Credit) charge to consolidated income statement	(14,670)	14,670	–
At 31 March 2008 and 1 April 2008	11,221	(11,221)	–
(Credit) charge to consolidated income statement	(10,734)	10,734	–
At 31 March 2009	**487**	**(487)**	**–**

At the balance sheet date, the Group had unused tax losses of approximately HK$121,805,000 (2008: HK$114,600,000) available to offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$3,500 (2008: HK$65,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$121,801,500 (2008: HK$114,535,000) 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$3,277,000 (2008: HK$101,000) in respect of excess of accounting depreciation over depreciation allowances and devaluation of investment property. 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 from 1 January 2008 to 31 March 2009 of a PRC subsidiary for which deferred tax liabilities have not been recognised was approximately HK$1,659,000 (2008: HK$1,432,000). No provision for deferred tax liability has been made in the financial statements as the amount involved is insignificant.

30. RETIREMENT BENEFITS SCHEME

The Group's Hong Kong subsidiaries operate a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contribution are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable accordance with the rule of the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme up to a maximum contribution of HK$1,000 per employee monthly, 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$60,261 (2008: HK$41,098) represents contributions paid to the above schemes by the Group in respect of the current year.

The employees of the Group's PRC subsidiaries are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute a specified percentage 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 2009, the total cost charged to the consolidated income statement of HK$148,847 (2008: HK$99,654) represents contributions paid to the state-managed retirement benefit schemes by the Group in respect of the current year.

31. CAPITAL COMMITMENTS

	2009 **HK$**	2008 HK$
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	100,000

32. OPERATING LEASE

The Group as lessee

Minimum lease payments paid under operating leases in respect of office premises during the year amounted to HK$3,458,535 (2008: 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:

	2009	2008
	HK$	HK$
Within one year	**5,168,000**	2,466,000
In the second to fifth year inclusive	**9,476,000**	–
	14,644,000	2,466,000

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

The Group as lessor

Property rental income, less direct operating expenses from investment property of HK$132,000 (2008: nil), earned during the year was HK$726,672 (2008: HK$858,672). The premise held has committed tenant for the next 11 months.

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

	2009	2008
	HK$	HK$
Within one year	**787,000**	859,000
In the second to fifth year inclusive	**–**	787,000
	787,000	1,646,000

33. 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 amount due to an associate and loans from ultimate holding company are unsecured, interest free and repayable on demand.

(b) Transactions with related parties

	2009	2008
	HK$	HK$
Repayment from former ultimate holding company	**–**	350,000

(c) Compensation of key management personnel

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

	2009	2008
	HK$	HK$
Short-term benefits	**1,158,751**	1,249,025
Post-employment benefits	**12,000**	15,000
	1,170,751	1,264,025

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

(d) On 13 May 2008, the Company entered into agreements with its ultimate holding company to 1) dispose of each of its 49% interest in two wholly-owned subsidiaries (Tianda Mining (Gansu) Limited and Tianda Mining (Yunnan) Limited) for a consideration of HK$49 and HK$3,826,000 respectively; 2) provision of shareholders' loan to these two subsidiaries for the establishment of two wholly foreign-owned enterprises in PRC and investments in exploring and development mineral resources in the PRC in proportion to their respective equity interest in the subsidiaries. As at 31 March 2009, the balance of shareholder's loan contributed by the ultimate holding company amounted to HK$3,826,000.

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

(e) 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.

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.

34. POST BALANCE SHEET EVENTS

On 22 July, 2009, the board of directors of the Company intends to put forward a proposal to the shareholders of the Company to reduce the share premium account of the Company by an amount of HK$300,000,000. The credit amount of HK$300,000,000 arising from the reduction of the balance of the share premium account will be entirely used to eliminate the accumulated losses of the Company of HK$254,343,336 as at 31 March 2009 and thereby creating a surplus of HK$45,656,664 in the retained earnings account of the Company.

Details of the above are included in an announcement of the Company dated 22 July, 2009.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 March 2009 and 2008 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		
			2009	2008	**2009**	2008	
			%	%	**%**	%	
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 biotechnology 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
Tianheng Properties Limited (formerly known as Tianda Properties Limited)	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Tianda Mining (Yunnan) Limited	Hong Kong	HK$2	**51**	100	**–**	–	Investment holding
Tianda Mining (Gansu) Limited	Hong Kong	HK$1	**51**	100	**–**	–	Investment holding
Yunnan Tianda Mining Limited	PRC	US$1,395,000 (2008: US$1,192,000)	**–**	–	**51**	100	Exploration and development of mineral resources
Gansu Tianda Mining Limited #	PRC	HK$2,320,000	**–**	–	**51**	–	Exploration and development of mineral resources
Yunyu Trading Development Limited	Hong Kong	HK$5,000,000	**100**	100	**–**	–	Investment holding and property holding
Zhuhai Tianheng Real Estate Company Limited	PRC	RMB35,019,187	**–**	–	**100**	100	Properties development

* Company incorporated as cooperative joint venture enterprise.

Company established during the year ended 31 March 2009.

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.

RESULTS

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	10,113	15,208	19,970	36,304	**56,936**
(Loss) profit from operations	(346)	4,730	1,665	19,389	**18,404**
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	441	1,805	(16,196)	3,859	**924**
Amortisation of goodwill arising on acquisition of an associate	(90)	–	–	–	**–**
(Loss) profit before taxation	(38)	6,535	(37,011)	(110,085)	**19,328**
Income tax expense	(45)	(52)	(56)	(2,831)	**(5,638)**
(Loss) profit for the year	(83)	6,483	(37,067)	(112,916)	**13,690**
(Loss) profit attributable to:					
Equity holders of the Company	(627)	4,355	(39,811)	(121,350)	**2,752**
Minority interests	544	2,128	2,744	8,434	**10,938**
	(83)	6,483	(37,067)	(112,916)	**13,690**

ASSETS AND LIABILITIES

	At 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets	151,345	159,354	126,244	140,162	**141,487**
Net current assets	64,461	68,628	70,403	260,115	**273,300**
Non-current liability	–	(1,904)	(2,537)	(2,505)	**(2,173)**
	215,806	226,078	194,110	397,772	**412,614**
Shareholders' funds	203,027	212,352	176,855	379,929	**387,816**
Minority interests	12,779	13,726	17,255	17,843	**24,798**
	215,806	226,078	194,110	397,772	**412,614**

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	–