1. General

The Company was incorporated in Bermuda on 12 August 1994 under the Companies Act 1981 of Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 48.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Application of Hong Kong Financial Reporting Standards/ Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 40 *"Investment Property",* HKAS 36 "*Impairment of Assets*" and HKAS 38 "*Intangible Assets*" and HKFRS 3 *"Business Combinations"* which were early adopted in the 2005 year. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Financial Instruments

In the current year, the Group has applied HKAS 32 *"Financial Instruments: Disclosure and Presentation"* and HKAS 39 *"Financial Instruments: Recognition and Measurement"*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

2. Application of Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(Continued)*

Financial Instruments *(Continued)*

Convertible loan notes

The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. Comparative loss for 2005 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Group's consolidated financial statements.

2. Application of Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(Continued)*

Financial Instruments *(Continued)*

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held-for-trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 April 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1 April 2005 have not been restated. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *"Leases"*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively *(see note 3 for the financial impact)*.

2. Application of Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(Continued)*

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 *"Income Taxes — Recovery of Revalued Non-Depreciable Assets"* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. There is no material deferred tax impact on adoption of HK(SIC) Interpretation 21, and the comparative figures have not been restated.

3. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described in note 2 above are as follows:

(a) Effects on the results for the current and prior years:

	2006	2005
	HK$'000	*HK$'000*
(Decrease) increase in interest on liability component of convertible notes	**(24)**	983
Analysis by items presented according to their function:		
(Decrease) increase in finance costs	**(24)**	983
Decrease in share of results of associates	**—**	(76)
Decrease in income tax expense	**—**	76
	(24)	983

3. Summary of the Effects of the Changes in Accounting Policies

(Continued)

(b) The financial effects of the application of the new HKFRSs to the Group as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 *HK$'000* (originally stated)	Effect of HKAS 1 *HK$'000*	Effect of HKAS 17 *HK$'000*	Effect of HKAS 32 *HK$'000*	As at 31 March 2005 and 1 April 2005 *HK$'000* (restated)
Balance sheet items					
Property, plant and equipment	253,126	—	(150,096)	—	103,030
Prepaid lease payments	—	—	150,096	—	150,096
Convertible notes	(16,000)	—	—	2,246	(13,754)
Other assets and liabilities	361,962	—	—	—	361,962
Assets and liabilities	599,088	—	—	2,246	601,334
Share capital and other reserves	635,890	—	—	—	635,890
Convertible notes reserve	—	—	—	2,270	2,270
Accumulated losses	(44,679)	—	—	(24)	(44,703)
Minority interests	—	7,877	—	—	7,877
	591,211	7,877	—	2,246	601,334
Minority interests	7,877	(7,877)	—	—	—
Equity	599,088	—	—	2,246	601,334

3. Summary of the Effects of the Changes in Accounting Policies

(Continued)

(b) *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity as at 1 April 2004 are summarised below:

	As originally stated	Effect of HKAS 1	Effect of HKAS 32	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital and other reserves	339,269	—	—	339,269
Convertible notes reserve	—	—	11,000	11,000
Accumulated profits	14,424	—	(2,404)	12,020
Minority interests	—	212	—	212
Total effects on equity	353,693	212	8,596	362,501
Minority interests	212	(212)	—	—
	353,905	—	8,596	362,501

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group except for HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which require all financial guarantee contracts to be initially measured at fair value. The directors consider the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]

3. Summary of the Effects of the Changes in Accounting Policies

(Continued)

HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS-INT 4	Determining whether an arrangement contains a lease[2]
HKFRS-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)- INT 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-INT 8	Scope of HKFRS 2[5]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[6]

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

4. Significant Accounting Policies

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

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

Basis of consolidation

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

The results of subsidiaries and associates 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.

4. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary or an associate 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 subsidiary or associate at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1 January 2001, the Group has discontinued amortisation from 1 April 2004 onwards, and such goodwill is tested for impairment at least 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 an acquisition of a subsidiary 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 subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any identified impairment loss.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

4. Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2005

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 income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity 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 associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the assessment. Any excess of the Group' share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after resassessment, 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.

4. Significant Accounting Policies *(Continued)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are 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 or 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 income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets of the Group or, where shorter, the term of the relevant lease.

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 income statement in the year in which the item is dereognised.

Trademarks

On initial recognition, trademarks are recognised at cost. After initial recognition, trademarks with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for trademarks with finite useful lives is provided on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment below).

Gains or losses arising from derecognition of trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired *(see the accounting policies in respect of impairment losses for tangible and intangible assets below)*.

4. Significant Accounting Policies *(Continued)*

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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 an income immediately.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the 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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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.

Revenue recognition

Revenue is measured at the fair value of amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and property rental income during the year.

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

4. Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

Sales of investments in securities are recognised when the sale contracts become unconditional.

Service fee income is recognised when services are provided.

Rental income, including rental invoiced in advance, from properties let 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 discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Franchise fee income is recognised on a straight-line basis over the franchise period.

Advertising and management fee income is recognised when services are provided.

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

4. Significant Accounting Policies *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 balances and amounts due from associates) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

4. Significant Accounting Policies *(Continued)*

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. 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 received or receivable is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards.

Deferred franchise income

Deferred franchise income represents initial franchise fee received which is recognised as income over the franchise period.

Research and development

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.

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.

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 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 for substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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.

4. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

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

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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Significant Accounting Policies *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when they are incurred.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 4, management has made various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements are disclosed below:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2006, the carrying amount of goodwill is approximately HK$255,461,000. Details of the recoverable amount calculation are disclosed in note 18.

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4. The fair value of the investment properties are determined with reference to the property valuation performed by Savills Valuation and Professional Services Limited, a firm of independently qualified professional valuers. The fair value of investment properties at the balance sheet date is set out in note 15. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include investments held-for-trading, derivative financial instruments, trade and other receivables, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

(a) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain receivables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's principal financial assets are bank balances and cash and trade debtors.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables of HK$43,936,000 and amounts due from associates of HK$20,931,000. In order to minimise the credit risk, the management of the Group has delegated a team responsible for 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 credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(c) Liquidity risk

The management monitors the working capital requirements of the Group. In the opinion of the Directors, most of the borrowings that mature within one year are able to be renewed and the Group expects to have adequate source of funding by arranging banking facilities to finance the Group's existing operations. Therefore, the risk is considered minimal.

6. Financial Risk Management Objectives and Policies *(Continued)*

(d) Interest rate risk

The Group's finance lease obligations are carried at fixed rates and the bank borrowings are variable-rate borrowings based on the market rates and is therefore exposed to cash flow interest rate risk. The Group currently does not use interest rate swap to swap its borrowings from floating rates to fixed rates as the management believes that changes in the interest rate will not have a significant impact on the Group's financial position. However, the management monitors closely the interest rate exposure and will consider using interest rate swap should the need arise.

(e) Price risk

The Group's investments held-for-trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

7. Revenue

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, management, advertising and promotion fees and property rental income during the year.

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**318,229**	320,159
Management, advertising and promotion fees	**4,724**	4,986
Rental income generated from investment properties	**1,803**	1,764
	324,756	326,909

8. Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into the following major division: (i) production and sale of Chinese pharmaceutical and health food products; (ii) production and sale of bottled birds' nest drink and herbal essence; (iii) production and sale of Western pharmaceutical and health food products; and (iv) property investments and property holding. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue, contribution to operating results and segment assets and liabilities by business segments is presented as follows:

Consolidated Income Statement

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence		Production and sale of Western pharmaceutical and health food products		Property investments and property holding		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
REVENUE												
External sales	**237,322**	228,748	**41,312**	29,192	**44,319**	67,205	**1,803**	1,764	**—**	—	**324,756**	326,909
Inter segment sales*	**246**	—	**10,136**	4,429	**257**	302	**3,875**	3,230	**(14,514)**	(7,961)	**—**	—
	237,568	228,748	**51,448**	33,621	**44,576**	67,507	**5,678**	4,994	**(14,514)**	(7,961)	**324,756**	326,909
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	**(28,551)**	(1,226)	**(4,404)**	(2,190)	**4,857**	6,020	**(5,943)**	4,007			**(34,041)**	6,611
Impairment loss recognised in respect of goodwill	**(40,095)**	(26,337)	**—**	—	**—**	—	**—**	—			**(40,095)**	(26,337)
Segment results	**(68,646)**	(27,563)	**(4,404)**	(2,190)	**4,857**	6,020	**(5,943)**	4,007			**(74,136)**	(19,726)
Other income											**7,493**	5,273
Unallocated corporate expenses											**(26,205)**	(26,690)
Finance costs											**(7,751)**	(3,108)
Allowance for amounts due from associates											**(5,000)**	—
Share of results of associates											**(1,793)**	(3,186)
Impairment loss recognised in respect of goodwill of associates											**—**	(15,202)
Loss before taxation											**(107,392)**	(62,639)
Income tax expense											**1,240**	(5,571)
Loss for the year											**(106,152)**	(68,210)

* Inter segment sales are charged on terms determined and agreed between group companies.

8. Business and Geographical Segments *(Continued)*

Consolidated Balance Sheet

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Production sale of Western pharmaceutical and health food products		Property investments and property holding		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(restated)				(restated)
ASSETS AND LIABILITIES										
ASSETS										
Segmental assets before goodwill	**153,426**	200,185	**24,495**	25,842	**28,701**	34,482	**195,988**	233,414	**402,610**	493,923
Goodwill	**130,294**	170,294	**4,350**	5,405	**120,817**	120,817	**—**	—	**255,461**	296,516
Segment assets	**283,720**	370,479	28,845	31,247	**149,518**	155,299	**195,988**	233,414	**658,071**	790,439
Interests in associates									**11,127**	12,991
Unallocated corporate assets									**166,785**	24,725
Consolidated total assets									**835,983**	828,155
LIABILITIES										
Segmental liabilities	**31,789**	43,189	**10,275**	7,365	**11,074**	11,687	**2,368**	1,340	**55,506**	63,581
Unallocated corporate liabilities									**133,686**	163,240
Consolidated total liabilities									**189,192**	226,821

8. Business and Geographical Segments *(Continued)*

Consolidated Balance Sheet

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Production sale of Western pharmaceutical and health food products		Property investments and property holding		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
OTHER INFORMATION										
Capital expenditure	**8,033**	45,808	**713**	2,379	**58**	129	**4,580**	85,315	**13,384**	133,631
Depreciation of property, plant and equipment	**12,012**	7,371	**674**	363	**417**	407	**2,334**	1,193	**15,437**	9,334
Goodwill arising on acquisition of subsidiaries	**95**	23,669	**—**	5,405	**—**	—	**—**	—	**95**	29,074
Amortisation of trademarks	**84**	92	**—**	—	**—**	—	**—**	—	**84**	92
Impairment loss recognised in respect of property, plant and equipment	**11,762**	—	**—**	—	**—**	—	**—**	—	**11,762**	—

Geographical segments

The Group's operation are located in Hong Kong, the People's Republic of China (the "PRC") and Singapore.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services:

	2006	2005
	HK$'000	*HK$'000* (restated)
Hong Kong	**249,400**	244,435
PRC, other than Hong Kong	**26,918**	39,845
Singapore	**31,601**	20,489
Others	**16,837**	22,140
	324,756	326,909

8. Business and Geographical Segments *(Continued)*

Geographical segments *(Continued)*

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

	Carrying amount of segment assets		Capital expenditure	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Hong Kong	**781,985**	772,554	**11,787**	118,760
The PRC, other than Hong Kong	**21,179**	20,123	**704**	12,492
Singapore	**29,989**	31,247	**713**	2,379
Others	**1,273**	3,153	**180**	—
	834,426	827,077	**13,384**	133,631

9. Other Income

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Other loan interest income	**550**	387
Interest income	**1,910**	202
Franchise income	**458**	734
Advertising and management fee	**141**	266
Gain on disposal of investments held-for-trading	**548**	—
Fair value gain on investments held-for-trading	**265**	—
Gain on recognition of derivative financial instruments	**100**	—
Processing fee income	**2,359**	1,764
Sundry income	**1,162**	1,920
	7,493	5,273

10. Finance Costs

	2006 *HK$'000*	2005 *HK$'000* (restated)
Interest on:		
Bank borrowings wholly repayable within five years	**4,920**	1,314
Bank borrowings not wholly repayable within five years	**2,467**	234
Convertible loan stock	**1**	1
Loan from a shareholder	**—**	34
Finance leases	**57**	20
Effective interest expenses on convertible notes	**306**	1,505
	7,751	3,108

11. Loss Before Taxation

	2006 *HK$'000*	2005 *HK$'000* (restated)
Loss before taxation has been arrived at after charging:		
Staff costs		
— Directors' remuneration	**1,720**	1,879
— Other staff costs	**55,404**	54,418
— Retirement benefit scheme contributions other than directors	**2,746**	2,662
Total staff costs	**59,870**	58,959
Allowance for trade receivables	**1,419**	5,574
Amortisation of trademarks, included in administrative expenses	**84**	92
Auditors' remuneration	**1,760**	1,100
Depreciation of property, plant and equipment	**15,437**	9,334
Amortisation of prepaid lease payments	**3,630**	874
Loss on disposal of property, plant and equipment	**41**	84
Management fee paid to a shareholder	**972**	918
Research and development expenses	**135**	103
Exchange loss (gain)	**163**	(412)
Share of tax of associates (included in share of results of associates)	**76**	77
and after crediting:		
Rental income, net of outgoing of HK$501,000 (2005: HK$367,000)	**1,302**	1,397

12. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2005: six) Directors are as follows:

	Mr. Tang Ching Ho *HK$'000*	Mr. Chan Chun Hong, Thomas *HK$'000*	Mr. Leung Wai Ho *HK$'000*	Mr. Siu Man Ho, Simon *HK$'000*	Mr. Yuen Chi Choi *HK$'000*	Mr. Cho Wing Mou *HK$'000*	Total *HK$'000*
2006							
Fees	**—**	**—**	**120**	**150**	**150**	**150**	**570**
Other emoluments:							
Salaries and other benefits	**563**	**563**	**—**	**—**	**—**	**—**	**1,126**
Retirement benefit scheme contributions	**12**	**12**	**—**	**—**	**—**	**—**	**24**
Total emoluments	**575**	**575**	**120**	**150**	**150**	**150**	**1,720**
2005							
Fees	—	—	120	120	120	120	480
Other emoluments:							
Salaries and other benefits	563	812	—	—	—	—	1,375
Retirement benefit scheme contributions	12	12	—	—	—	—	24
Total emoluments	575	824	120	120	120	120	1,879

12. Directors' and Employees' Emoluments *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2005: one) was a director of the Company whose emoluments are set out in note 12(a) above. The emoluments of the remaining four (2005: four) individuals are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Salaries and other benefits	3,846	5,172
Retirement benefit scheme contributions	57	52
	3,903	5,224

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	—	2

During the year, no emolument were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors have waived any emoluments during the year.

13. Income Tax Expense

	2006 *HK$'000*	2005 *HK$'000* (restated)
The (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax	**292**	2,308
Other jurisdictions	**230**	331
	522	2,639
(Over) underprovision in prior years		
Hong Kong Profits Tax	**(101)**	2
Deferred taxation *(Note 36)*		
Current year	**(1,661)**	2,930
	(1,240)	5,571

Hong Kong Profits Tax is calculated at 17.5% (2005:17.5%) on the estimated assessable profit for the year.

Singapore Income Tax is calculated at 20% (2005: 20%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13. Income Tax Expense *(Continued)*

The taxation (credit) charge for the year can be reconciled to the loss per the income statement as follows:

	2006 *HK$'000*	2005 *HK$'000* (restated)
Loss before taxation	**(107,392)**	(62,639)
Tax at the domestic income tax rate of 17.5%	**(18,794)**	(10,962)
Tax effect of share of results of associates	**313**	620
Tax effect of expenses not deductible for tax purpose	**14,719**	11,389
Tax effect of income not taxable for tax purpose	**(734)**	(1,292)
Tax effect of tax losses not recognised	**3,418**	5,864
(Over)underprovision in prior years	**(101)**	2
Utilisation of tax losses not recognised	**(90)**	(30)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**29**	(20)
Taxation (credit) charge for the year	**(1,240)**	5,571

Details of deferred taxation are set out in note 36.

14. Loss Per Share

The calculation of the basic loss per share is based on the net loss for the year of HK$98,370,000 (2005: HK$67,958,000, restated), and on the weighted average number of 816,344,116 (2005: 372,328,000, restated) ordinary shares in issue during the year.

The computation of diluted loss per share for each of the two years ended 31 March 2005 and 2006 does not assume (i) the conversion of the outstanding convertible notes of the Company since their exercise would result in a decrease in net loss per share and, (ii) the exercise of the outstanding options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company on the Hong Kong Stock Exchange.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2005 and 2006 has been retrospectively adjusted for the effect of the rights issue and bonus issue as detailed in note 37 and the capital reorganisation approved by the shareholders of the Company on 4 June 2004 and 8 June 2005 as detailed in note 37(a) respectively.

14. Loss Per Share *(Continued)*

Pursuant to the adoption of new and revised accounting policies as described in note 2 above, the reported earnings per share for the current and prior years have been affected. The following table summarises the impact on basic and diluted earnings per share:

	Impact on basic earnings per share	
	2006	2005
	HK$	*HK$*
		(restated)
Figures before adjustments	**(0.12)**	(0.18)
Adjustments arising from application of new and revised accounting policies	**—**	—
Reported	**(0.12)**	(0.18)

15. Investment Properties

	HK$'000
VALUATION	
At 1 April 2004	—
Additions	36,974
Net increase in fair value during the year	4,226
At 31 March 2005	41,200
Addition	4,000
Disposals	(36,100)
At 31 March 2006	**9,100**

The investment properties at the balance sheet date were held under medium term leases in Hong Kong.

The fair value of the Group's investment properties at 31 March 2006 have been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected with the Group. Savills are members of the Institute of Valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group has pledged all of its investment properties to secure banking facilities granted to the Group.

16. Property, Plant and Equipment

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Computer system	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2004	6,400	6,726	6,735	13,962	—	4,233	38,056
Exchange realignment	—	25	107	35	47	8	222
On acquisition of subsidiaries	47,799	274	7,023	829	337	45	56,307
Additions	—	7,874	20,688	9,453	—	2,297	40,312
Disposals	—	(973)	—	(616)	—	(173)	(1,762)
At 31 March 2005, as restated	54,199	13,926	34,553	23,663	384	6,410	133,135
Exchange realignment	182	2	272	25	4	1	486
On acquisition of subsidiaries	—	443	—	28	—	—	471
Additions	—	2,715	2,801	1,509	433	892	8,350
Disposals	—	(51)	—	(6)	—	(35)	(92)
At 31 March 2006	**54,381**	**17,035**	**37,626**	**25,219**	**821**	**7,268**	**142,350**
DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 April 2004	1,097	1,999	3,869	11,982	—	2,046	20,993
Exchange realignment	—	18	92	23	31	6	170
Provided for the year	979	2,984	2,390	1,879	111	991	9,334
Eliminated on disposals	—	(51)	—	(312)	—	(29)	(392)
At 31 March 2005, as restated	2,076	4,950	6,351	13,572	142	3,014	30,105
Exchange realignment	32	2	79	6	3	1	123
Provided for the year	1,469	4,662	5,021	2,803	166	1,316	15,437
Eliminated on disposals	—	(8)	—	(2)	—	(1)	(11)
Impairment loss recognised	5,010	—	6,172	580	—	—	11,762
At 31 March 2006	**8,587**	**9,606**	**17,623**	**16,959**	**311**	**4,330**	**57,416**
CARRYING AMOUNT							
At 31 March 2006	**45,794**	**7,429**	**20,003**	**8,260**	**510**	**2,938**	**84,934**
At 31 March 2005, as restated	52,123	8,976	28,202	10,091	242	3,396	103,030

Note: The directors consider that the reclassified accumulated depreciation acquired the cost of property, plant and equipment acquired of subsidiaries are appropriate.

16. Property, Plant and Equipment *(Continued)*

Deprecation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings	2% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	20% — 33$^1/_3$%
Plant and machinery	10% — 20%
Furniture and equipment	20% — 33$^1/_3$%
Motor vehicles	20%
Computer system	20% — 33$^1/_3$%

The carrying value of buildings comprises:

	2006 ***HK$'000***	2005 *HK$'000* (restated)
Leasehold buildings situated in:		
Hong Kong under medium term leases	**45,794**	46,991
The PRC under medium term land use rights	**—**	5,132
	45,794	52,123

At 31 March 2006, the carrying amount of furniture and equipment includes an amount of approximately HK$646,000 (2005: HK$732,000) in respect of assets held under finance leases. The Group has pledged leasehold buildings with carrying amount of approximately HK$40,758,000 (2005: HK$41,822,000) to secure general banking facilities granted to the Group.

During the year, the single product sale in the PRC was dropped substantially and no new product was launched. Thus, the management decided to abandon the production at the balance sheet date. The directors considered that an impairment loss of approximately HK$11,762,000 should be recognised on the property, plant and equipment in the production plant. In addition, the directors made an allowance of inventories and to write off of prepaid lease payments which related to the production plant of approximately HK$1,054,000 and HK$2,303,000, respectively.

17. Prepaid Lease Payments

	HK$'000
COST	
At 1 April 2004	1,306
Acquired on acquisition of subsidiaries	149,839
At 31 March 2005	151,145
Exchange realignment	71
Impairment losses provided for the year	(2,511)
At 31 March 2006	**148,705**
AMORTISATION	
At 1 April 2004	175
Provided for the year	874
At 31 March 2005	1,049
Exchange realignment	1
Provided for the year	3,630
Impairment losses provided for the year	(208)
At 31 March 2006	**4,472**
CARRYING AMOUNT	
At 31 March 2006	**144,233**
At 31 March 2005	150,096

17. Prepaid Lease Payments *(Continued)*

The Group's prepaid lease payments comprise:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Leasehold land in Hong Kong:		
Medium-term lease	**144,233**	147,688
Leasehold land in the PRC:		
Medium-term lease	**—**	2,408
	144,233	150,096
Analysed for reporting purposes as:		
Non-current assets	**140,721**	146,536
Current assets	**3,512**	3,560
	144,233	150,096

18. Goodwill

	HK$'000
COST	
At 1 April 2004	314,285
Elimination of accumulated amortisation on adoption of HKFRS 3	(20,506)
On acquisition of subsidiaries	29,074
At 31 March 2005	322,853
Adjustments to measurement of consideration for acquisitions *(note)*	(1,055)
On acquisition of subsidiaries	95
At 31 March 2006	**321,893**
AMORTISATION	
At 1 April 2004	(20,506)
Elimination of accumulated amortisation on adoption of HKFRS 3	20,506
At 31 March 2005 and 31 March 2006	—
IMPAIRMENT	
At 1 April 2004	—
Impairment loss recognised	(26,337)
At 31 March 2005	(26,337)
Impairment loss recognised	(40,095)
At 31 March 2006	**(66,432)**
CARRYING AMOUNT	
At 31 March 2006	**255,461**
At 31 March 2005	296,516

Prior to 31 March 2004, goodwill was amortised over its estimated useful life of 3 or 20 years.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill as at the balance sheet date has been allocated as follows:

	2006 *HK$'000*	2005 *HK$'000*
Production and sale of:		
— Chinese pharmaceutical and health food products	**130,294**	170,294
— Western pharmaceutical and health food products	**120,817**	120,817
— Bottled birds' nest drinks and herbal essence	**4,350**	5,405
	255,461	296,516

18. Goodwill *(Continued)*

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances which indicate that it might be impaired.

The recoverable amounts of the CGUs have been determined based on value in use calculations. These values were developed through the application of the income approach technique known as the discounted cash flow methodology. Under this method, the value depends on the present worth of future economic benefits to be derived from the projected sales income of the CGUs. Indications of those values are developed by discounting projected future net cash flows to its present worth.

The key assumptions used in the valuations are those regarding the forecasted growth rates, expected changes to selling prices and costs and discount rates. The growth rates are based on industry forecasts while the changes in selling prices and direct costs are based on historical operating records and expectation of future changes in the market. Discount rates are based on estimates of the required rate of returns that reflect the current market assessment of the time value of money, general market risks and the specific risks specific to the CGUs.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolate cash flows for the following five years with zero growth rate (2005: based on the estimated 8%, 8% and 7%) for the production and sale of Chinese pharmaceutical and health food products, Western pharmaceutical and health food products and bottled birds' nest drinks and herbal essence, respectively. These rates do not exceed the estimated average long term growth rate for the relevant markets.

The rate used to discount the forecast cash flows for the production and sale of Chinese pharmaceutical and health food products, Western pharmaceutical and health food products and bottled birds' nest drinks and herbal essence is ranged from 11.51% to 15.61%, 12.25% and 14.04%, respectively (2005: 7% for each of them).

At 31 March 2006, before impairment testing, goodwill of HK$196,726,000, HK$120,817,000 and HK$4,350,000 were allocated to the production and sale of Chinese pharmaceutical and health food products, Western pharmaceutical and health food products and bottled birds' nest drinks and herbal essence, respectively. Due to the increase in competition in the market, the Group has reviewed its cash flow forecast for these CGUs. The carrying amount of goodwill for the production and sale of Chinese pharmaceutical and health food products has therefore been reduced to their recoverable amounts through recognition of impairment losses of approximately HK$66,432,000 (2005: HK26,337,000).

Note: During the year, an adjustment was made to the carrying amount of the identifiable assets and liabilities of CNT Health Food Pte Limited ("CNT") acquired in July 2004. According to the Sale and Purchase Agreement (the "Agreement") for entire issued share capital of CNT Health Food Pte Limited, the consideration shall be reduced by the sum of S$220,000 (approximately HK$1,055,000) in the event that the aggregate profit after tax as defined in the Agreement is not more than S$800,000 and the vendors shall forthwith repay the sum of S$220,000 (approximately HK$1,055,000) to the Group. If the adjusted consideration had been incorporated at the date of acquisition, goodwill at the date of acquisition would have been decreased by approximately HK$1,055,000.

19. Investments in Associates

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Cost of unlisted investments in associates, less impairment *(note)*	**10,821**	10,965
Share of post-acquisition reserves, net of dividends received	**(6,994)**	(5,224)
	3,827	5,741

Note: Included in cost of unlisted investment in associates has an amount represented the goodwill arising on acquisition of associates in prior years. The movement of goodwill is set out below:

	HK$'000
COST	
At 1 April 2004	14,371
Arising on acquisition	831
At 31 March 2005 and 31 March 2006	15,202
IMPAIRMENT	
At 1 April 2004	—
Impairment loss recognised for the year	(15,202)
At 31 March 2005 and 31 March 2006	(15,202)
CARRYING AMOUNT	
At 31 March 2006	**—**
At 31 March 2005	—

The carrying amount of goodwill, before the recognition of impairment loss, was related to production and sale of Chinese pharmaceutical products. The Group considered the cash flow forecasts derived from the most recent financial budgets approved for the next five years and the rates used to discount the forecast cash flows was 7%. Due to the increase in competition in the market, an impairment loss of approximately HK$15,202,000 was recognised in the prior year.

Prior to 31 March 2004, goodwill was amortised over 10 years.

19. Investments in Associates *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Total assets	**51,992**	53,723
Total liabilities	**(40,668)**	(38,271)
Net assets	**11,324**	15,452
The Group's share of net assets of associates	**3,827**	5,741
Revenue	**68,639**	67,192
Loss for the year	**(3,668)**	(6,075)
The Group's share of results of associates for the year	**(1,793)**	(3,186)

Details of the Group's associates at 31 March 2006 are set out in note 49.

20. Amounts due from Associates

	2006	2005
	HK$'000	*HK$'000*
Amount due from an associate — due after one year	**12,300**	7,250
Less: Impairment loss recognised	**(5,000)**	—
	7,300	7,250
Amounts due from associates — due within one year	**13,631**	20,069

At 31 March 2006, the amounts due from associates were unsecured, interest-free and are repayable on demand, except for an amount of approximately HK$12,300,000 (2005: HK$7,250,000). HK$12,300,000 (2005: HK$7,250,000) carries interest at 4% to 6.5% (2005: 4% to 4.5%) per annum and is repayable from 31 March 2006 to 16 August 2015. The fair value of the Group's amounts due from associates at 31 March 2006 approximates to the corresponding carrying amount.

21. Trademarks

	HK$'000
COST	
At 1 April 2004	898
Addition	38
At 31 March 2005	936
Addition	563
At 31 March 2006	**1,499**
AMORTISATION	
At 1 April 2004	107
Provided for the year	92
At 31 March 2005	199
Provided for the year	84
At 31 March 2006	**283**
CARRYING AMOUNT	
At 31 March 2006	**1,216**
At 31 March 2005	737

The trademarks are amortised on a straight-line basis over their useful life of 10 years.

22. Long-Term Bank Deposit

	2006 *HK$'000*	2005 *HK$'000*
Deposit placed with a financial institution	**7,762**	—

The long-term bank deposit comprise:

		Effective	Carrying amount	
Principal amount	**Maturity date**	**interest rate**	**2006** *HK$'000*	2005 HK$'000
US$1,000,000	8 March 2016	9.35%	**7,762**	—

The balance represents US dollar denominated high-yield deposit placed with a financial institution with a tenure of ten years or less. The interest yield is linked to changes in London Inter-Bank Offered Rate ("LIBOR"). The Group would receive interest income on the principal amount at an effective interest rate of 9.35% per annum in each quarter of the year where the LIBOR is within the specific range of 0% to 6%. Deposit may not yield any interest if LIBOR is not within a specified range.

The fair value of the Group's long-term bank deposit as at 31 March 2006 is approximately HK$7,762,000 which is determined based on the market value provided by a bank at the balance sheet date.

The bank has the call option to redeem the deposit in whole, but not in part, at any time from the date of signing the contract till the maturity date and return the principal amount and the accrued interest income to the Group.

23. Inventories

	2006 *HK$'000*	2005 *HK$'000*
Raw materials and consumables	**20,508**	27,151
Work-in-progress	**4,496**	98
Finished goods	**41,954**	41,648
	66,958	68,897

24. Deposits paid for Investments

(a) On 15 September 2005, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party for the acquisition of 8% equity interest of Dongguan Senox Industrial Co., Ltd., Dongguan Senox Agricultural Products Co., Ltd. and Dongguan Senox Logistics Co., Ltd. (hereinafter collectively referred to as the "Senox Group") for an aggregate consideration of HK$24,000,000. The Senox Group is principally engaged in the investment in and management and provision of logistics services to PRC. A deposit of HK$12,000,000 was paid upon entering into the conditional agreements. In accordance with the Agreement, after payment of first installment, the vendor should pay the Company the dividends or profit distribution attributable to 8% equity interest in Senox Group within 7 days upon actual receipt of dividends. At 25 January 2006, Senox Group paid dividends amounted to RMB 4,000,000 to the vendor and the Group entitled RMB 800,000 (approximately HK$769,000). The transaction is not completed as at the date of this report. Details of the investment are set out in the Company's announcement dated 16 September 2005. At 31 March 2006, the Group shall contribute the outstanding HK$12,000,000 to the vendor upon the fulfillment of certain conditions as stated in the Agreement.

(b) On 27 January 2006, the Group entered into the Share Purchase Agreement with Taco Holdings Limited (hereinafter collectively referred to as the "Taco") pursuant to which the Group had conditionally agreed to purchase the 205,000,000 ordinary shares of LeRoi Holdings Limited (hereinafter collectively referred to as the "LeRoi"), representing approximately 25.32% of the issued share capital in LeRoi for a total consideration of HK$37,500,000 from Taco. Upon completion of the share purchase, the Group will be indirectly interest in approximately 25.32% of the issued share capital of LeRoi. At 31 March 2006, HK$3,000,000 deposits was made and the Group had capital commitment of HK$34,500,000 in respect of such share purchase.

In addition, on 27 January 2006, the Group and LeRoi entered into the subscription agreement to which LeRoi had agreed to issue and the Group had agreed to subscribe for the convertible note with an initial principal amount of HK$3,000,000. These two transactions are not completed as at the date of this report. Details of the share purchase and subscription of convertible notes were set out in the circular to the shareholders of the Company dated 8 February 2006.

25. Trade and other Receivables

	2006 *HK$'000*	2005 *HK$'000* (restated)
Trade receivables	**47,766**	83,237
Less: accumulated impairment	**(3,830)**	(6,043)
	43,936	77,194
Other receivables	**15,199**	13,539
Total trade and other receivables	**59,135**	90,733

The Group allows an average credit period of 60 days to 120 days to its trade customers. The following is an aged analysis of trade receivables (net of impairment loss) at the balance sheet date:

	2006 *HK$'000*	2005 *HK$'000*
0 — 30 days	**15,216**	24,285
31 — 60 days	**8,221**	14,749
61 — 120 days	**17,755**	25,366
Over 120 days	**2,744**	12,794
	43,936	77,194

The fair value of the Group's trade and other receivables at 31 March 2006 approximates to the corresponding carrying amount.

26. Investments Held-for-Trading (Other than Derivatives)

	2006 HK$'000	2005 HK$'000
Listed equity securities at fair value:		
in Hong Kong	**10,693**	—
in overseas	**3,798**	—
	14,491	—

The fair values of the above investments held-for-trading are determined based on the quoted market bid prices available on the relevant exchanges.

27. Derivative Financial Instruments

Derivatives

	2006 HK$'000	2005 HK$'000
Forward contracts	**100**	—

Major terms of the equity accumulators are as follows:

Number of shares	Maturity	Securities
496,000 shares	27 February 2007	Hutchison Whampoa Limited
7,470,000 shares	22 February 2007	China Construction Bank
500,000 shares	7 February 2007	Hutchison Whampoa Limited

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

28. Pledged Deposits

The amount represents deposits pledged to financial institutions to secure derivative financial instruments acquired by the Group during the year. Deposits amounting approximately to HK$42,703,000 have been pledged to secure derivative financial instruments that will be settled in the next twelve months and are therefore classified as current assets.

The deposits carry fixed interest rate of 3.51% and 4.03% per annum. The pledged deposits will be released upon the termination of the contract of derivative financial instruments. The fair value of deposits at 31 March 2006 approximates to the corresponding carrying amount.

29. Bank Balances and Cash

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate. All bank deposits have a maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.01% to 3.9% (2005: 0.01% to 1.5475%) per annum. The fair values of the amounts at the balance sheet date approximate to the corresponding carrying amounts.

30. Trade and other Payables

Included in trade and other payables are trade payables of approximately HK$26,933,000 (2005: HK$31,495,000) and their aged analysis is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 — 30 days	**12,722**	13,302
31 — 60 days	**7,606**	10,615
61 — 120 days	**4,205**	5,668
Over 120 days	**2,400**	1,910
	26,933	31,495
Other payables	**26,569**	32,872
	53,502	64,367

The fair value of the Group's trade and other payables at 31 March 2006 approximates to the carrying amount.

31. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**305**	365	**270**	316
More than one year, but not exceeding two years	**79**	249	**71**	221
More than two years, but not exceeding three years	**29**	41	**25**	35
More than three years, but not exceeding four years	**10**	17	**8**	14
More than four years but not exceeding five years	**—**	9	**—**	8
	423	681	**374**	594
Less: Future finance charges	**(49)**	(87)	**—**	—
Present value of lease obligations	**374**	594	**374**	594
Less: Amount due within one year shown under current liabilities			**(270)**	(316)
Amount due after one year			**104**	278

It is the Group's policy to lease certain of its furniture and equipment using finance leases. The average lease term is three years. For the year ended 31 March 2006, the average effective borrowing rate ranges from 5.4% to 10.9% (2005: 5.4% to 10.9%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

31. Obligations under Finance Leases *(Continued)*

Financial lease obligations that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	HK$ equivalent of Singapore dollar *$'000*
As at 31 March 2006	**286**
As at 31 March 2005	336

32. Bank Borrowings

	2006 *HK$'000*	2005 *HK$'000*
Bank borrowings	**131,901**	142,743
Bank overdrafts	**785**	443
	132,686	143,186
Analysed as:		
Secured	**77,091**	85,097
Unsecured	**55,595**	58,089
	132,686	143,186
The above bank borrowings and bank overdrafts are repayable as follows:		
On demand or within one year	**38,323**	30,430
More than one year, but not exceeding two years	**20,887**	16,784
More than two years, but not exceeding three years	**16,551**	15,443
More than three years, but not exceeding four years	**14,050**	11,919
More than four years, but not exceeding five years	**13,933**	10,363
More than five years	**28,942**	58,247
	132,686	143,186
Less: Amount due within one year shown under current liabilities	**(38,323)**	(30,430)
Amount due after one year	**94,363**	112,756

32. Bank Borrowings *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	2005
Effective interest rate:		
Variable-rate borrowings	**1.983% — 8%**	1.983% — 5%

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	HK$ equivalent of Singapore dollar *$'000*
As at 31 March 2006	**3,903**
As at 31 March 2005	1,722

During the year, the Group obtained new loans in an amount of approximately HK$27.8 million (2005: HK$73.9 million). These loans carry interest at 3.00% to 5.00% per annum and are repayable in instalments over a period of three to five years. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

The carrying amounts of the bank borrowings approximate their fair values as the contractual variable interest rates approximate the market rates.

33. Deferred Franchise Income

	2006 *HK$'000*	2005 *HK$'000*
At beginning of the year	**391**	719
Additions	**319**	406
Recognised in the current year	**(458)**	(734)
At end of the year	**252**	391
Less: Amount due within one year shown under current liabilities	**(234)**	(283)
	18	108

34. Convertible Loan Stock

	2006	2005
	HK$'000	*HK$'000*
£590 (2005: £590) 9.5% unsecured convertible loan stock 2008 ("CL Stock")	**6**	6

On 12 January 1999, the Company issued CL Stock with a nominal value of £3,807,552 divided into 3,807,552 stock units. The CL Stock carried interest at the rate of 9.5% per annum, payable every half year on 31 March and 30 September of each year, and are redeemable at par on 30 September 2008 or, if later, the date falling 30 days after the final conversion date in respect of the year 2008. The Company repaid £3,806,962 CL Stock in previous financial years.

Holders of the CL Stock are entitled to convert their units biannually at any time within 30 calendar days after the despatch of the interim report or final report of the Company up to and including 29 September 2008.

During the year ended 31 March 2006, the Company made no repayment in respect of the CL Stock (2005: nil) and the balance of CL Stock outstanding at 31 March 2006 which amounted to £590 (2005: £590) has been classified as a current liability.

The carrying amounts of the convertible loan stock approximate their fair values as the contractual interest rates approximate the market rates.

35. Convertible Notes

On 14 March 2005, the Company issued convertible notes of HK$30 million with a conversion price of HK$0.08 per share as partial consideration for the acquisition of the entire equity interests in, and shareholders' loan to, Geswin Limited ("Geswin"). The convertible notes carried interest at 3% per annum and are redeemable on 13 March 2008 unless it was previously converted or redeemed. The notes entitle the holders to convert them into ordinary shares of HK$0.01 per share of the Company at any time during the period from 14 March 2005 to 13 March 2008.

Convertible notes of HK$16 million were redeemed during the year ended 31 March 2006.

Convertible notes of HK$14 million were converted into 175,000,000 ordinary shares of HK$0.01 each in the Company during the year ended 31 March 2005.

35. Convertible Notes *(Continued)*

The convertible loan notes contain two components, liability and equity elements. Upon the application of HKAS 32 (see Note 3 for details), the convertible loan notes were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component is 6.914% and 8.648%.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2006 *HK$'000*	2005 *HK$'000* (restated)
Liability component at the beginning of the year	**13,754**	47,904
Issued during the year	**—**	25,740
Converted during the year	**—**	(12,010)
Redeemed during the year	**(13,730)**	(45,500)
Interest charge *(Note 12)*	**306**	1,505
Interest paid	**(330)**	(3,885)
Liability at the end of the year	**—**	13,754

36. Deferred Taxation

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

	Accelerated tax depreciation *HK$'000*	**Revaluation of investment properties** *HK$'000*	**Allowance for bad and doubtful debt** *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2004	705	—	(350)	—	355
Exchange adjustment	4	—	—	—	4
Acquisition of a subsidiary	63	—	—	—	63
Charge (credit) to the income statement for the year	2,497	740	—	(307)	2,930
At 31 March 2005	3,269	740	(350)	(307)	3,352
Charge (credit) to the income statement for the year	282	(592)	(175)	(1,176)	(1,661)
At 31 March 2006	**3,551**	**148**	**(525)**	**(1,483)**	**1,691**

36. Deferred Taxation *(Continued)*

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 *HK$'000*	2005 *HK$'000*
Deferred tax assets	**(341)**	(341)
Deferred tax liabilities	**2,032**	3,693
	1,691	3,352

At the balance sheet date, the Group had unused tax losses of approximately HK$108,000,000 (2005: HK$88,000,000) available to offset against future profits. A deferred tax asset of HK$6,720,000 (2005: HK$1,754,000) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

37. Share Capital

	Number of shares	Amount *HK$'000*
Authorised:		
At 1 April 2004, ordinary shares of HK$0.1 each	6,000,000,000	600,000
Adjustment of nominal value	—	(540,000)
Cancellation	(5,447,226,155)	(54,472)
Addition	59,447,226,155	594,472
At 31 March 2005 and 31 March 2006, ordinary shares of HK$0.01 each	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2004, ordinary share of HK$0.1 each	552,773,845	55,277
Adjustment to nominal value	—	(49,750)
Right and bonus issues	2,211,095,380	22,112
Private placement of shares	552,000,000	5,520
Issue of share upon conversion of convertible notes	175,000,000	1,750
At 31 March 2005, ordinary shares of HK$0.01 each	3,490,869,225	34,909
Consolidation of shares *(note a)*	(3,141,782,303)	—
Adjustment of nominal value *(note a)*	—	(31,418)
Right issues *(note b)*	1,047,260,766	10,473
At 31 March 2006, ordinary shares of HK$0.01 each	**1,396,347,688**	**13,964**

37. Share Capital *(Continued)*

Notes:

(a) Pursuant to a resolution passed in a special general meeting on 8 June, 2005, the Group carried out the following capital reorganisation ("Capital Reorganisation") which involved inter-alia:

— every ten issued shares of HK$0.01 each were consolidated into one share ("Consolidated Shares") of HK$0.10 each ("Share Consolidation");

— the reduction of the nominal value of each of the Consolidated Shares then in issue from HK$0.10 to HK$0.01 by cancelling paid up capital to the extent of HK$0.09 on each Consolidated Shares ("Capital Reduction");

— The crediting of the amount of approximately HK$31,418,000 arising from the Capital Reduction to the contributed surplus account of the Company and utilisation of such credit to set off the accumulated losses of the Company.

Details of the Capital Reorganisation are set out in a circular to the shareholders of the Company dated 13 May 2005.

(b) Pursuant to a resolution passed in a special general meeting on 16 November 2005, 1,047,260,766 ordinary shares of HK$0.01 each was issued and allotted by way of rights issue, in the proportion of three shares for every one existing share held ("Rights Share"), at a subscription price of HK$0.15 per Rights Share to the existing shareholders. The net proceeds of approximately HK$153.2 million from the Rights Issue were used for the repayment of bank borrowings, redemption of convertible notes issued by the Company, for the possible investment in new business opportunities and general working capital.

All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

38. Share Option Schemes

1997 Scheme

A share option scheme was approved and adopted by the Company on 16 October, 1997 (the "1997 Scheme") for the purpose of providing incentives to directors and eligible employees.

Pursuant to an ordinary resolution of the Company passed on 18 September, 2003, the 1997 Scheme was terminated and that no further options will be granted under the 1997 Scheme, but in all other respects, the provisions of 1997 Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination.

38. Share Option Schemes *(Continued)*

2004 Scheme

On 18 September, 2003, the Company adopted a new share option scheme (the "2004 Scheme") for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company and its subsidiaries. Pursuant to the 2004 Scheme, which will expire on 17 September, 2014, the board of directors of the Company may grant options to directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Hong Kong Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant of the options.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant.

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option schemes of the Company, shall not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the 2004 Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme shall not exceed 30% of the shares in issue from time to time.

The total number of shares in respect of which options may be granted to an eligible person under the 2004 Scheme is not permitted to exceed 1% of the aggregate number of shares for the time being issued and issuable under the 2004 Scheme.

38. Share Option Schemes *(Continued)*

2004 Scheme *(Continued)*

The following tables discloses movement in the 1997 Scheme and the 2004 Scheme during the two years ended 31 March 2006.

Option type	Date of grant	Exercise price per share prior to Rights and Bonus Issue	Exercise price per share adjusted for the effect of Rights and Bonus Issue	Exercisable period	Number of options: Outstanding at 1.4.2004	Granted during the year	Cancelled during the year	Outstanding at 31.3.2005 and 31.3.2006
		HK$	*HK$* *(note)*					
1997 Scheme								
Category 1: Employees								
Employees	9.12.1999	28.50	5.7	9.12.1999 to 8.12.2009	37,600	—	(37,600)	—
	3.3.2000	82.00	16.4	3.3.2000 to 2.3.2010	20,000	—	(20,000)	—
					57,600	—	(57,600)	—

There was no share options granted under 2004 Scheme in both years.

Note: The exercise price per share brought forward from last year has been adjusted to reflect the effect of the Rights issue and Bonus issue during the year ended 31 March 2005.

39. Acquisition of Subsidiaries

During the year, the following acquisitions took place:

(i) In April 2005, a wholly-owned subsidiary of the Company acquired an additional 60% of the issued share capital of Global Winner Holdings Limited ("Global Winner") for a consideration of HK$175,000 which becomes a wholly owned subsidiary after such acquisition. Global Winner is engaged in retailing of Chinese pharmaceutical products. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$72,000.

39. Acquisition of Subsidiaries *(Continued)*

(ii) In May 2005, a wholly-owned subsidiary of the Company acquired the entire issued share capital of City Brighter Limited ("City Brighter"), a company engaged in retailing of Chinese pharmaceutical products, for a consideration of HK$200,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$23,000.

The acquisition has been accounted for by the purchase method of accounting. The effect of the acquisition is summarised as follows:

	2006	2005
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	**471**	56,307
Prepaid lease payments	**—**	149,839
Inventories	**1,995**	7,767
Trade and other receivables	**718**	10,260
Bank and cash balances	**298**	2,395
Trade and other payables	**(3,132)**	(10,079)
Taxation payable	**—**	(116)
Obligations under finance lease	**—**	(204)
Bank borrowings	**—**	(61,930)
Deferred taxation	**—**	(63)
Minority interests	**—**	(7,938)
	350	146,238
Less: Interests acquired in previous acquisition:		
— net assets of associate	**(70)**	—
	280	146,238
Goodwill arising on acquisition	**95**	29,074
	375	175,312

39. Acquisition of Subsidiaries *(Continued)*

	2006 *HK$'000*	2005 *HK$'000*
Satisfied by:		
Convertible notes	—	30,000
Expenses paid in cash	—	2,480
Cash consideration paid	375	142,832
	375	175,312
Net outflow arising on acquisition:		
Cash consideration paid	(375)	(145,312)
Cash and cash equivalents acquired	298	2,395
	(77)	(142,917)

The carrying amounts of the subsidiaries acquired approximate to their fair values.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the sales of the Group's products in the new markets and the anticipated future operating synergies from the combination.

The subsidiaries acquired during the year contributed approximately HK$5,801,000 (2005: HK$33,542,000) to the Group's revenue and a profit of approximately HK$44,000 (2005: loss of approximately HK$352,000) to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2005, the total Group turnover for the period would have been approximately HK$325,137,000 and loss for the year would have been approximately HK$106,210,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that would actually have been achieved had the acquisitions been completed on 1 April 2005, nor is it intended to be a projection of future results.

40. Major Non-Cash Transactions

During the year ended 31 March 2006, the major non-cash transactions were as follows:

(a) The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of lease contracts of HK$264,000.

(b) The Group is entitled an amount of approximately HK$1,055,000 from the vendor of CNT in the event that the aggregate profit after tax as defined in the Agreement is not more than S$800,000. The amount is not yet received and recognised as other receivable at the balance sheet date. Details are set out in note 18 to the consolidated financial statements.

During the year ended 31 March 2005, the major non-cash transactions were as follows:

(a) The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of lease contracts of HK$560,000.

(b) The Group acquired the entire interest in, and shareholders' loan to, Geswin at an aggregate consideration of approximately HK$63.6 million which was partially satisfied by the issue of convertible notes of HK$30.0 million.

(c) The Company issued and allotted 175,000,000 ordinary shares of HK$0.01 each upon the exercise of the conversion rights by the holders of convertible notes.

(d) The Company issued 552,773,845 bonus shares of HK$0.01 each, amounting to HK$5,528,000, on the basis of one bonus share for every three Rights Share.

41. Retirement Benefit Plans

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes the lower of HK$1,000 or 5% of relevant monthly payroll costs to the MPF scheme, which contribution is matched by the employees.

41. Retirement Benefit Plans *(Continued)*

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost of approximately HK$2,746,000 (2005: HK$2,686,000) charged to income statement represents contributions payable to these schemes by the Group in respect of the current accounting year. As at 31 March 2006, contributions of approximately HK$250,000 (2005: HK$245,000) due in respect of the reporting period had not been paid over to the schemes.

42. Pledge of Assets

(a) At 31 March 2006, the Group had pledged its prepaid lease payments, buildings and investment properties with carrying amount of approximately HK$143,156,000 (2005: HK$146,584,000); HK$40,758,000 (2005: HK$41,822,000) and HK$9,100,000 (2005: HK$41,200,000), respectively, to banks to secure general banking facilities granted to the Group.

(b) At 31 March 2006, deposits of approximately HK$42,703,000 were pledged to financial institutions to secure derivative financial instruments acquired by the Group during the year.

43. Capital Commitments

At 31 March 2006, the Group had capital commitments of approximately HK$49,490,000 (2005: HK$834,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

44. Contingent Liabilities

	2006 ***HK$'000***	2005 *HK$'000*
Bills discounted with recourse	—	807
Guarantees given to bankers in respect of banking facilities granted to third parties	**3,799**	3,679

45. Operating Leases

The Group as lessee:

The Group made minimum lease payments of approximately HK$22,440,000 (2005: HK$21,393,000) under operating leases during the year in respect of its office properties and retail shops.

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Within one year	**27,930**	24,095
In the second to fifth year inclusive	**10,638**	23,322
	38,568	47,417

Operating lease payments represent rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for a term ranging from 2 to 3 years. Certain lease rentals are based on turnover of the relevant retail shops.

The Group as lessor:

Property rental income earned during the year was approximately HK$1,803,000 (2005: HK$1,764,000). All of the properties held have committed tenants for the next year.

At 31 March 2006, the Group had contracted with tenants for future minimum lease payments due within one year of approximately HK$405,000 (2005: HK$588,000).

46. Connected and Related Party Disclosures

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The significant transactions with these companies during the year, and balances with them at the balance sheet date, are as follows:

Name of related party	Transactions	2006 HK$'000	2005 HK$'000
(i) Connected parties			
Wang On and its subsidiaries (the "Wang On Group")	Interest on term loans paid by the Group	—	34
	Interest on convertible notes paid by the Group	330	523
	Management fee paid by the Group	972	918
	Rental paid by the Group	267	3,595
	Rental received by the Group	1,803	1,764
	Rental paid by an associate of the Group	—	1,470
	Acquisition of subsidiaries	—	128,980

46. Connected and Related Party Disclosures *(Continued)*

Name of related party	Transactions	2006 HK$'000	2005 HK$'000
(ii) Related parties other than connected parties			
Associates	Sales of Chinese phamaceutical products by the Group	**32,903**	26,154
	Subcontracting fee paid by the Group	**115**	446
	Management, advertising and promotion fees received by the Group	**2,583**	2,493
	Facilities granted by the Group	**10,000**	10,000
	Interest income received by the Group	**472**	341

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 HK$'000	2005 HK$'000
Short-term benefits	**1,696**	1,855
Post-employment benefits	**24**	24
	1,720	1,879

The above remuneration is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the balances with related parties as at the balance sheet date are set out in the balance sheets and note 20.

47. Loss of the Company for the year

The loss of the Company for the year ended 31 March 2006 amounting to HK$91,993,000 (2005: HK$82,091,000) has been dealt with in the consolidated financial statements of the Group.

48. Principal Subsidiaries

Particulars of the principal subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company *Directly*	*Indirectly*	Principal activity
Asia Brighter Investment Limited	Hong Kong	HK$2	—	100%	Property investment
Billion Good Investment Limited	Hong Kong	HK$2	—	100%	Property holding company
Bright Leading Limited	Hong Kong	HK$2	—	100%	Investment holding Company
CNT Health Food Pte Limited	Singapore	Singapore $1,610,000	—	100%	Production and sales of Chinese health food
Conful Limited	Hong Kong	HK$1	—	100%	Property investment
Huzhou Wai Yuen Tong Biological Medicine Company Limited	PRC	RMB8,270,601	—	51%	Production and trading of Chinese pharmaceutical products
Global Winner Holdings Limited	Hong Kong	HK$360,000	—	100%	Retailing of Chinese pharmaceutical products

48. Principal Subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company *Directly*	*Indirectly*	Principal activity
Luxembourg Medicine Company Limited	Hong Kong	HK$434,747	—	99.79%	Production and sale of western pharmaceutical and healthcare products
Source Millennium Limited	British Virgin Islands	USD1	—	100%	Investment holding company
Total Smart Investments Limited	British Virgin Islands	USD1	100%	—	Investment holding company
Wai Yuen Tong Medicine Company Limited	Hong Kong	HK$217,374 Ordinary HK$17,373,750 non-voting deferred*	—	99.79%	Production and trading of Chinese pharmaceutical products

* The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of the Company, the non-voting deferred shares have a right to repayment in proportion to the amounts paid up on all ordinary and deferred shares after the first HK$1,000,000,000,000 thereof has been distributed among the holders of the ordinary shares.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group, which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

49. Particulars of Associates

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

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Class of shares held	Attributable proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
China Field Enterprises Limited	Hong Kong	HK$25,000	Ordinary	49%	Investment holding
Chinese Leading Limited	Hong Kong	HK$600,000	Ordinary	50%	Retailing of Chinese pharmaceutical products
Creation Sino Limited	Hong Kong	HK$2,500,000	Ordinary	50%	Retailing of Chinese pharmaceutical products
Fortune Way Trading Limited	Hong Kong	HK$1,000,000	Ordinary	50%	Retailing of Chinese pharmaceutical products
Hunan Xiangya Pharmaceutical Co., Limited	PRC	RMB29,225,000	N/A	39.2%	Production of Chinese pharmaceutical products
Longly Richly Limited	Hong Kong	HK$650,000	Ordinary	50%	Retailing of Chinese pharmaceutical products
Lucky Planning Limited	Hong Kong	HK$700,000	Ordinary	50%	Retailing of Chinese pharmaceutical products

49. Particulars of Associates *(Continued)*

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Class of shares held	Attributable proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
Winning Forever Limited	Hong Kong	HK$2,500,000	Ordinary	50%	Retailing of Chinese pharmaceutical products
Venko Limited	Hong Kong	HK$100	Ordinary	50%	Retailing of Chinese pharmaceutical products