



Notes to Condensed Consolidated Financial Statements

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2006.

In current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new 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 or interpretations will have no material impact on the financial position of the Group.



2. Principal accounting policies *(Continued)*

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 8	Scope of HKFRS 2 ²
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

3. Revenue

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue comprises:		
Sales of goods	169,530	160,066
Management, advertising and promotion fees	2,084	2,355
Rental income generated from investment properties	885	992
	172,499	163,413

4. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into the following major divisions: (i) production and sale of Chinese pharmaceutical and health food products; (ii) production and sale of bottled birds' nest drinks and herbal essence products; (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.

4. Business and geographical segments (Continued)

(a) Business segments (Continued)

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

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled bird's nest drinks and herbal essence products		Production and sale of Western pharmaceutical and health food products		Property investments and property holding		Elimination		Total	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
REVENUE												
External	121,908	120,984	17,873	19,069	31,833	22,368	885	992	—	—	172,499	163,413
Inter segment sales *	376	101	14,300	4,565	—	246	3,336	4,019	(18,012)	(8,931)	—	—
	122,284	121,085	32,173	23,634	31,833	22,614	4,221	5,011	(18,012)	(8,931)	172,499	163,413
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	3,000	(9,648)	161	(3,560)	2,657	114	(2,901)	222			2,917	(12,872)
Impairment loss recognised in respect of goodwill	(161)	(91)	—	—	—	—	—	—			(161)	(91)
Release of negative goodwill	—	11	—	—	—	—	—	—			—	11
Segments results	2,839	(9,728)	161	(3,560)	2,657	114	(2,901)	222			2,756	(12,952)
Other income											7,627	1,475
Unallocated corporate expenses											(12,082)	(20,545)
Finance costs											(3,505)	(4,016)
Share of results of associates											90	571
Loss before taxation											(5,114)	(35,467)
Income tax											(196)	—
Loss for the period											(5,310)	(35,467)

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



4. Business and geographical segments *(Continued)*

(b) 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 markets, irrespective of the origin of the goods and services:

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	126,939	130,499
PRC, other than Hong Kong	22,103	9,312
Singapore	11,649	14,638
Others	11,808	8,964
	172,499	163,413

5. Other income

	For the six months ended 30 September	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other loan interest income	366	218
Interest income	3,420	297
Franchise income	205	248
Advertising and management fee	6	—
Gain on disposal of investments held-for-trading	2,625	—
Fair value gain on investments held-for-trading	50	—
Dividend income	108	—
Processing fee income	420	382
Sundry income	427	330
	7,627	1,475

6. Finance costs

	For the six months ended 30 September	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,446	1,700
Bank borrowings not wholly repayable within five years	2,033	1,760
Finance leases	26	26
Effective interest expenses on convertible notes	—	530
	3,505	4,016



7. Loss before taxation

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited and restated) HK\$'000
Loss before taxation has been arrived after charging:		
Allowance for inventories	—	1,625
Allowance for trade receivables	26	2,932
Amortisation of trademarks, included in administrative expenses	77	42
Depreciation of property, plant and equipment	7,826	7,616
Amortisation of prepaid lease payments	1,756	1,756
Management fee paid to a shareholder	48	486
and after crediting:		
Written back on allowance for inventories	204	—
Rental income, net of outgoing of HK\$274,000 (2005: HK\$251,000)	611	742



8. Income tax expenses

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax		
Other jurisdictions	351	—
	351	—
Overprovision in prior years		
Hong Kong Profits Tax	—	—
Other jurisdictions	(129)	—
Deferred taxation		
Current year	(26)	—
	196	—

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the period.

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

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



9. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to the ordinary holders of the Company for the period of HK\$5,314,000 (2005: HK\$34,818,000), and the weighted average number of 1,396,347,688 (2005: 552,918,776) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 September 2005 and 2006 does not assume the conversion of the outstanding convertible notes of the Company since their exercise would result in a decrease in net loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2005 has been retrospectively adjusted for the effect of the rights issue and bonus issue and capital reorganisation which were approved by the shareholders of the Company on 16 November 2005 and 8 June 2005 respectively.

10. Investment Property

	HK\$'000
Valuation	
At 1 April 2006	9,100
Net decrease in fair value during the period	(150)
At 30 September 2006	8,950

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

The fair value of the Group's investment property at 30 September 2006 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuers not connected with the Group. Vigers 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 property to secure banking facilities granted to the Group.



11. Property, plant and equipment

During the six months ended 30 September 2006, the Group acquired property, plant and equipment for an amount of approximately HK\$4,622,000 (six months ended 30 September 2005: HK\$8,081,000).

12. Pledge of assets

- (a) At 30 September 2006, the Group had pledged its prepaid lease payments, buildings and investment properties with carrying amount of approximately HK\$141,413,000 (31 March 2006: HK\$143,156,000); HK\$40,389,000 (31 March 2006: HK\$40,758,000) and HK\$8,950,000 (31 March 2006: HK\$9,100,000), respectively, to banks to secure general banking facilities granted to the Group.
- (b) At 30 September 2006, deposits of approximately HK\$19,506,000 (31 March 2006: HK\$42,703,000) were pledged to financial institutions to secure derivative financial instruments acquired by the Group during the period.

13. Investments in associates

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Cost of unlisted investments in associates, less impairment	10,821	10,821
Share of post-acquisition reserves, net of dividends received	(7,074)	(6,994)
	3,747	3,827



14. Amount due from associates

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Amount due from an associate — due after one year	12,300	12,300
Less: Impairment loss recognised	(5,000)	(5,000)
	7,300	7,300
Amounts due from associates — due within one year	13,154	13,631

At 30 September 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 (31 March 2006: HK\$12,300,000). The amount of HK\$12,300,000 (31 March 2006: HK\$12,300,000) carries interest at 4% to 6.5% (31 March 2006: 4% to 6.5%) per annum and is repayable from 28 February 2008 to 16 August 2015. The fair value of the Group's amounts due from associates at 30 September 2006 approximates to the corresponding carrying amount.



15. 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 in PRC. A deposit of HK\$12,000,000 was paid upon entering into the Agreement. In accordance with the Agreement, after payment of the 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. As at the date of this report, Senox Group had paid dividends amounted to RMB10,000,000 to the vendor and the Group received RMB2,000,000 (approximately HK\$1,930,000). The transaction is not completed as at the date of this report. Details of the investment were set out in the Company’s announcement dated 16 September 2005. As at 30 September 2006, the outstanding HK\$12,000,000 had not been paid by the Group to the vendor in the absence of fulfillment of certain conditions as stated in the Agreement.
- (b) On 27 January 2006, the Group entered into a share purchase agreement with Taco Holdings Limited pursuant to which the Group had conditionally agreed to purchase the 205,000,000 ordinary shares of LeRoi Holdings Limited (the “LeRoi”), representing approximately 25.32% of the issued share capital in LeRoi, for a total consideration of HK\$37,500,000. Upon completion of the share purchase, the Group will be indirectly interested in approximately 25.32% of the issued share capital of LeRoi. At 30 September 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 a subscription agreement in which LeRoi had agreed to issue and the Group agreed to subscribe for convertible notes with an initial principal amount of HK\$3,000,000. These two transactions had not been 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.



16. Trade and other receivables

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Trade receivables	51,421	47,766
Less: accumulated impairment	(3,029)	(3,830)
Other receivables	48,392 15,654	43,936 15,199
Total trade and other receivables	64,046	59,135

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:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 — 30 days	17,816	15,216
31 — 60 days	10,201	8,221
61 — 120 days	15,196	17,755
Over 120 days	5,179	2,744
	48,392	43,936

The fair value of the Group's trade and other receivables at 30 September 2006 approximates to the corresponding carrying amount.

17. Trade and other payables

Include in trade and other payables are trade payables of approximately HK\$29,983,000 (31 March 2006: HK\$26,933,000) and their aged analysis is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 — 30 days	17,005	12,722
31 — 60 days	10,398	7,606
61 — 120 days	1,337	4,205
Over 120 days	1,243	2,400
	29,983	26,933
Other payables	32,937	26,569
	62,920	53,502

The fair value of the Group's trade and other payables at 30 September 2006 approximates to the carrying amount.

18. Bank borrowings

During the period, the Group obtained new borrowings amounting to HK\$27,626,000 and repaid HK\$46,120,000. The loans bear interest at market rates from 4.81% to 8.25%. The proceeds were used to finance the operation.



19. Share capital

Shares

	Number of shares	Amount (Unaudited) HK\$'000
Authorised:		
At 1 April 2006 and 30 September 2006, ordinary shares of HK\$0.01 each	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2006 and 30 September 2006, ordinary shares of HK\$0.01 each	1,396,347,688	13,964

Share options

Details of the Company's share option scheme are set out in the section "Share Option Scheme" of the interim report.

20. Capital commitments

At 30 September 2006, the Group had capital commitments of approximately HK\$47,060,000 (31 March 2006: 49,490,000) in respect of the acquisition of equity interest in LeRoi and Senox Group, property, plant and equipment contracted for but not provided in the consolidated financial statements.

21. Contingent liabilities

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Guarantee given to bankers in respect of banking facilities granted to third parties	3,521	3,799



22. Operating leases

The Group as lessee:

The Group made minimum lease payments of approximately HK\$15,193,648 (2005: HK\$12,822,000) under operating leases during the period 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:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	28,239	27,930
In the second to fifth year inclusive	14,357	10,638
	42,596	38,568

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 revenue of the relevant retail shops.



22. Operating leases (Continued)

The Group as lessor:

Property rental income earned during the period was approximately HK\$885,000 (2005: HK\$993,000). All of the properties held have committed tenants for the next three year.

At 30 September 2006, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	1,920	405
In the second to fifth year inclusive	3,360	—
	5,280	405

23. Post balance sheet events

On 21 November 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK\$8.95 million. The transaction has not yet been completed at the date of this report.



24. Connected and related party disclosures

During the period, 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 period, and balances with them at the balance sheet date, are as follows:

		For the six months ended 30 September	
Name of related party	Transactions	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
(i) Connected parties			
Wang On and its subsidiaries (the “Wang On Group”)	Interest on convertible notes paid by the Group	—	240
	Management fee paid by the Group	48	486
	Rental paid by the Group	150	—
	Rental received by the Group	885	993
	Rental paid by the associate of the Group	234	—
(ii) Related parties other than connected parties			
Associates	Sales of Chinese pharmaceutical products by the Group	15,781	15,618
	Subcontracting fee paid by the Group	—	70
	Management advertising and promotion fees received by the Group	1,137	1,259
	Facilities granted by the Group	10,000	8,500
	Interest income received by the Group	329	183



24. Connected and related party disclosures *(Continued)*

(iii) Compensation of key management personnel

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

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Short-term benefits	836	852
Post-employment benefits	12	12
	848	864

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

25. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 21 December 2006.