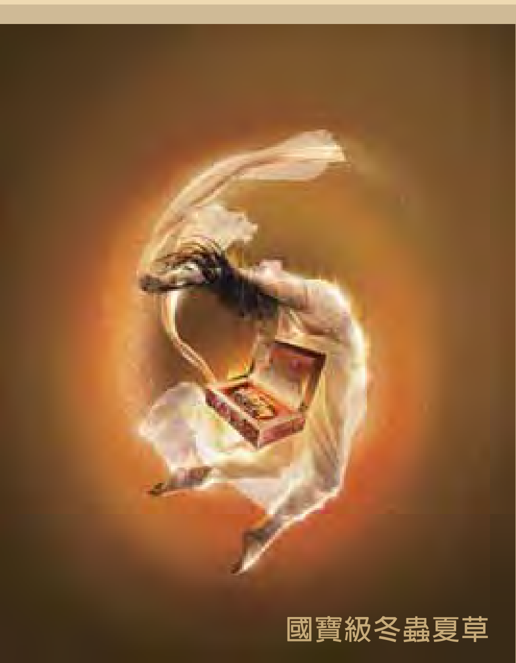
Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)



2009 Annual Report

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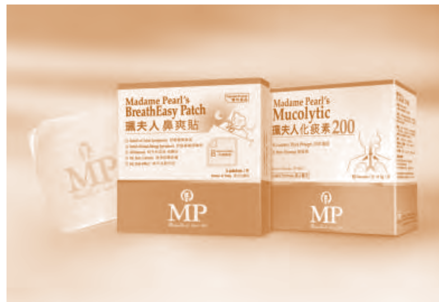
Madame Pearl's
BreathEasy Patch
MP
Madame Pearl's
Mucolytic
200
MP

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *Chairman*
Mr. Chan Chun Hong, Thomas, *Managing Director*
Ms. Tang Mui Fun

Independent Non-executive Directors

Mr. Leung Wai Ho
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

AUDIT COMMITTEE

Mr. Yuen Chi Choi, *Chairman*
Mr. Leung Wai Ho
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

REMUNERATION COMMITTEE

Mr. Siu Man Ho, Simon, *Chairman*
Mr. Leung Wai Ho
Mr. Yuen Chi Choi
Mr. Cho Wing Mou
Mr. Tang Ching Ho
Mr. Chan Chun Hong, Thomas

NOMINATION COMMITTEE

Mr. Cho Wing Mou, *Chairman*
Mr. Siu Man Ho, Simon
Mr. Yuen Chi Choi
Mr. Leung Wai Ho
Mr. Tang Ching Ho
Mr. Chan Chun Hong, Thomas

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y.T. Ho & Co.
K&L Gates
Morrison & Foerster

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HOMEPAGE

http://www.wyth.net

STOCK CODE

897

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Wai Yuen Tong Medicine Holdings Limited (the "Company"), I am pleased to present to the shareholders the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

During the financial year ended 31 March 2009, the Group recorded turnover of approximately HK$496.2 million, representing a year-on-year increase of approximately 4.0%. Gross profit grew approximately 3.3% to approximately HK$228.7 million. However, the Group recorded loss attributable to equity holders for the year ended 31 March 2009 of approximately HK$345.9 million (2008: profit attributable to equity holders of approximately HK$83.8 million) which was mainly due to the decrease in fair value of the embedded options of the unlisted convertible note issued by an associate, LeRoi Holdings Limited ("LeRoi"), and the share of loss of LeRoi.

The Group improved its operating efficiency during the year, while at the same time continued to aggressively carry out brand building and product renovation programs in order to further consolidate our leading positions among Chinese medicine retail chains, Chinese medical practitioners network and providers of quality Chinese pharmaceutical products.

The Group aggressively enhanced its marketing strategy and strengthened its brand promotion activities to better arouse the awareness and recognition of our product brands of "Wai Yuen Tong" and "Madame Pearl's". All these efforts have led to success in developing synergy effects in both the People's Republic of China (the "PRC") and the Hong Kong markets for our Chinese and Western pharmaceutical products and leveraging on the promotional effectiveness of our sales network in both the PRC and Hong Kong.

In light of the global economic downturn, consumption desire declined and the operating environment became difficult during the year. The turnover of our Chinese pharmaceutical product business and Chinese health food business for the financial year ended 31 March 2009 was approximately HK$333.6 million and approximately HK$35.8 million, representing a decrease of approximately 0.6% and approximately 20.1% respectively, compared to last year. However, our Western pharmaceutical product business recorded a satisfactory performance with turnover rising approximately 31.0% to approximately HK$126.7 million, which was primarily derived from the success in the launching of new products, the increase in the sales of its core product and the increase in the turnover of a 52% owned subsidiary of the Group, Hunan Xiangya Pharmaceutical Company Limited ("Hunan Xiangya").

In order to optimise the Group's capital structure and financial position, we raised aggregate net proceeds of approximately HK$86.9 million through the placing of new shares in May 2008 and May 2009, respectively, which have been and are earmarked to be utilised for the repayment of interest-bearing loans, the expansion of our retail network in the PRC and Hong Kong and the further development of the core businesses of the Group. These important measures have equipped the Group with adequate capital to respond to market changes during the period of global recession.

Looking forward, in spite of the global and local economic downturns and the uncertainty over the retail market, the Group will adopt the strategy of strengthening its foundation whilst aiming to achieve steady expansion of our existing core businesses, with a view to consolidating the brand position of "Madame Pearl's" as a "Respiratory Specialist". In addition, we will continue to develop new products and expand our distribution network in order to sustain the continuing growth in the Group's business and improve its profitability.

On behalf of the Board, I would like to express my heartfelt gratitude to our management team and all of our staff for their dedication throughout the year. Also, I would like to extend my sincere appreciation to all institutional investors and other shareholders, customers and suppliers for their support to our Group.

Tang Ching Ho
Chairman

Hong Kong, 22 July 2009

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the financial year ended 31 March 2009, the Group's turnover and loss attributable to equity holders amounted to approximately HK$496.2 million (2008: approximately HK$477.0 million) and approximately HK$345.9 million (2008: profit of approximately HK$83.8 million), respectively. The loss was mainly attributable to the decrease in fair value of the embedded options of the unlisted convertible note issued by LeRoi on 5 October 2007 with an aggregate amount of HK$190.0 million and the share of a loss reported by LeRoi. Basic loss per share was approximately HK17.59 cents (2008: basic earnings per share of approximately HK5.21 cents).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the financial year ended 31 March 2009 (2008: Nil). No interim dividend was paid during the year (2008: Nil).

BUSINESS REVIEW

The financial tsunami that swept through the world in the second half of 2008 has led to a flagging global economy and sluggish consumer demand. As a result, the Group's major operating divisions of Chinese pharmaceutical products and Chinese health food products were negatively affected.

Chinese Pharmaceutical Products

Turnover for the year decreased by approximately 0.6% from approximately HK$335.5 million to approximately HK$333.6 million. Despite the challenging business conditions, the Group continued to place efforts in marketing and brand reinforcement activities which were aimed at driving sales and raising public awareness of the brand "Wai Yuen Tong". The Group also extended its retail outlets to the PRC. Amidst the economic downturn, it became even more important to strengthen operating cost control. During the year under review, the Group strove to control and lower operating costs through various measures such as staff rationalisation and negotiation with landlords for lower rentals.

Western Pharmaceutical Products

Turnover of the Western pharmaceutical and health food products businesses grew approximately 31.0% from approximately HK$96.7 million to approximately HK$126.7 million. The increase of approximately HK$15.2 million came from the sales of cough syrup and the successful launch of new products such as Madame Pearl's Breatheasy Patch in September 2008. With a series of rebranding activities launched in Hong Kong, the brand position of "Madame Pearl's" as the "Respiratory Specialist" was strengthened. Additional turnover of approximately HK$14.8 million was attributable to the increase in turnover of Hunan Xiangya, a subsidiary acquired in November 2007 from approximately HK$8.6 million in 2008 to approximately HK$23.4 million in 2009.

Chinese Health Food Products

The Group's business of manufacture of Chinese health food was operated through the production arm of CNT Health Food Pte Limited ("CNT") in Singapore. The drop in revenue for the year under review by approximately 20.1% from approximately HK$44.8 million to approximately HK$35.8 million was mainly due to lower consumption brought on by the global financial crisis. Besides the existing bottled birds' nest drinks and herbal essence products, the Group is exploring its product diversification and has co-operated with a strategic partner to expand its business into mainland China and overseas Chinese communities.

Investment in LeRoi

The Group has diversified its investment portfolio by making an investment in LeRoi, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which is currently engaged in the sale of fresh pork meat and related products and property development in the PRC. The Group has also subscribed an unlisted convertible note with a principal amount of HK$190.0 million which is convertible into 1,583,333,333 shares of LeRoi at an initial conversion price of HK$0.12 per share (subject to adjustment). As at the date of this annual report, the Company held 29.97% equity interest in LeRoi.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Fund Raising, Liquidity, Capital Structure and Gearing

(1) Top-up Placing

On 7 May 2008, the Company entered into a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, approximately 335 million shares to independent investors at a price of HK$0.165 per share. Completion of the transaction took place on 19 May 2008 and net proceeds of approximately HK$53.3 million were raised and utilised for the expansion of our retail network in Hong Kong and the PRC, the repayment of interest-bearing loans and general working capital of the Group.

(2) Top-up Placing and Placing of New Shares

On 11 May 2009, the Company entered into (i) a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, 165 million shares to independent investors at a price of HK$0.088 per share; and (ii) a new placing agreement with the placing agent to place, on a best effort basis, 237 million shares to independent investors at a price of HK$0.088 per share. Aggregate net proceeds of approximately HK$33.6 million were raised for repayment of interest-bearing debts and general working capital of the Group. The aforesaid transactions were completed on 21 May 2009 and 26 May 2009, respectively.

(3) Redemption of Convertible Loan Note

On 13 June 2008 and 18 September 2008, the Group redeemed all outstanding convertible loan note with an aggregate principal amount of HK$149.0 million at a discount of 2.5% to their face value. These redemptions were financed by the Group's internal resources.

(4) Loan Arrangements from the Substantial Shareholder

On 5 September 2008 and 2 October 2008, the substantial shareholder of the Company advanced loans in an aggregate principal amount of HK$10.0 million to the Company, which had been repaid subsequent to the balance sheet date. On 3 November 2008, it made available to the Company further loan facility of HK$30.0 million, out of which HK$25.0 million was drawn down and HK$10.0 million had been repaid as at 31 March 2009. The outstanding HK$15.0 million is to be repaid by the Company within one year from the date of drawdown. The loans and the loan facility carried an interest at the Hong Kong prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited.

As at 31 March 2009, the Group's total borrowings amounted to approximately HK$91.8 million (2008: approximately HK$189.3 million) which included bank borrowings of approximately HK$63.4 million (2008: approximately HK$48.3 million), loan from a shareholder of HK$25.0 million (2008: Nil), advances from minority shareholders of a subsidiary of approximately HK$3.4 million (2008: approximately HK$3.0 million) and convertible loan note of nil (2008: HK$138.0 million). The gearing ratio, being the ratio of total borrowings to equity attributable to equity holders, was approximately 15.5% (2008: approximately 21.3%).

Foreign Exchange

The Board is of the opinion that the Group has no material foreign exchange exposure. All bank borrowings are denominated in Renminbi, Hong Kong and Singapore dollars. The revenue of the Group, being mostly denominated in Renminbi, Hong Kong and Singapore dollars, matched the currency requirements of the Group's operating expenses. The Group therefore does not engage in any hedging contracts.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES

At the balance sheet date, the Group had 704 employees, of whom approximately 57% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$89.5 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group also has a share option scheme for the benefit of its employees.

PROSPECTS

As a result of the slowdown in the global and local economies which have caused significant instability in the property and stock markets, the Group has adopted a more prudent approach over its expansion program in Chinese pharmaceutical business and taken various measures to control and lower operating costs.

As for Western pharmaceutical products, the Group will continue to strengthen the brand position of "Madame Pearl's" as the "Respiratory Specialist". New business opportunities will be sought to optimise the utilisation of the strong distribution network the Group has established in Hong Kong and the PRC.

With respect to the Chinese health food business, the Group continues to explore product diversification and expand its business into mainland China and overseas Chinese communities.

The Group will continue to focus on the reinforcement of its brand positioning, continuing product development, expanding distribution network and upholding of quality management in order to achieve sustainable growth and profitability.

Even though the economic conditions in 2009 will remain challenging, the Group is cautiously optimistic about its prospects.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, aged 47, was appointed as the Chairman of the Company in August 2001. He is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman of Wang On Group Limited ("Wang On"), a company listed on the main board of the Stock Exchange. He is a brother of Ms. Tang Mui Fun, the executive Director.

Mr. Chan Chun Hong, Thomas, aged 45, was appointed as the Managing Director of the Company in August 2001. He is responsible for managing the corporate matters and overall management and supervision of the Group. He graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He is also the managing director of Wang On, the chairman and managing director of LeRoi, and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange. In February 2009, Mr. Chan was also appointed as the chairman of China Agri-Products Exchange Limited, a company listed on the main board of the Stock Exchange.

Ms. Tang Mui Fun, aged 38, joined the Group in 2000 and was appointed as the Executive Director in September 2007. She is responsible for the overall strategic planning and development and policy making for the core businesses of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the Group, She had 4 years of experience in the accounting and auditing fields and 5 years of experience in general management. She is a sister of Mr. Tang Ching Ho, the Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Ho, aged 59, was re-designated to an Independent Non-executive Director of the Company in April 2006 from non-executive Director and has joined the Group since 1994. Mr. Leung is a member of audit committee, remuneration committee and nomination committee of the Company. He has more than 44 years' and 15 years of experiences in watch industry and financial industry respectively. He is a National Committee Member of the Chinese People's Political Consultative Conference, a Standing Committee Member of Hebei Province of the Chinese People's Political Consultative Conference, a Standing Committee Member of The Chinese General Chamber of Commerce, a Standing Committee Member of The Chinese Manufacturers' Association of Hong Kong, a Honorary President of Hong Kong Chamber of Commerce in China – Guangdong and, during the year, Mr. Leung was re-designated to the Chartered President of Dongguan City Association of Enterprises with Foreign Investment.

Mr. Yuen Chi Choi, aged 48, joined the Company as an Independent Non-executive Director in August 2001, He is the chairman of audit committee of the Company and a member of remuneration committee and nomination committee of the Company. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 18 years of audit experience.

Mr. Siu Man Ho, Simon, aged 35, joined the Company as an Independent Non-executive Director in August 2001. He is a member of audit committee and nomination committee of the Company and the chairman of remuneration committee of the Company. Mr. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of the law firm, namely Sit, Fung, Kwong & Shum. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters.

Mr. Cho Wing Mou, aged 68, joined the Company as an Independent Non-executive Director in September 2001. He is a member of audit committee and remuneration committee of the Company and the chairman of nomination committee of the Company. Mr. Cho has over 42 years' experience in banking industry and was formerly as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st and 2nd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Chiu Kwok Ho, Benedict joined the Group in April 2005 and is currently the Director of Luxembourg Medicine Group ("Luxembourg Group"). He is responsible for the Luxembourg Group's overall western pharmaceutical business in both Hong Kong and the PRC. Mr. Chiu graduated from Bradford University with a Bachelor in pharmacy and is a registered pharmacist in Hong Kong and the United Kingdom. He has 23 years of experience in the pharmaceutical industry.

Ms. Wong Shuk Fong, Jaime is currently the General Manager of Wai Yuen Tong Medicine Company Limited ("WYTM") and is responsible for the overall operation of WYTM including retail business. Ms. Wong graduated from The Hong Kong Polytechnic University with a Master degree in Business Administration. Ms. Wong has extensive experience in strategic management, sales and marketing management, and had been engaged in the strategic direction in FMCG and Chinese medicinal industries for over 21 years. With her innovative marketing initiatives, such companies have successfully established their brand with a strong position among their counterparts. Ms. Wong has also been stationed in the PRC, the U.S. and Australia prior to joining WYTM. The Group is hence expecting further growth with her international horizon and extensive marketing practice.

Mr. Lao Wai Keung is the Financial Controller of the Company. He is an associate member of the Institute of Chartered Accountants in England and Wales, a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2002, he had more than 12 years of experience in financial positions in Hong Kong and the PRC.

Ms. Law Yin Man is the Director of WYTM – PRC. Ms. Law joined the Group in 2001 and is responsible for sales and marketing and opening new markets in mainland China. She has more than 8 years of experience in sales and marketing in mainland China.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance practices and continuously reviews and improves the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company adopted a code on corporate governance practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2009.

The Company will continue to review regularly its corporate governance practices, to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (as amended) from time to time (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiries by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year under review.

To comply with code provision A.5.4 of the CG Code, the Company also adopted a code of conduct regarding securities transactions on no less exacting terms than the Model Code by the relevant employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

THE BOARD

The Board currently comprises three executive Directors and four independent non-executive Directors ("INEDs"). The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Tang Ching Ho *(Chairman)*
Mr. Chan Chun Hong, Thomas *(Managing Director)*
Ms. Tang Mui Fun

Independent non-executive Directors

Mr. Leung Wai Ho
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

The biographical details of the Directors are set out on page 7 of this annual report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

THE BOARD (CONTINUED)

The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs in Board meetings facilitate the maintenance of good corporate governance practices. At least one of the INEDs has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business and to enhance the shareholders' value.

All INEDs are appointed with specific term and subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings.

All INEDs are free from any business or other relationship with the Company, except that Mr. Siu Man Ho, Simon is the son of Mr. Siu Yim Kwan, Sidney, an independent non-executive director of Wang On, the substantial shareholder of the Company. Such relationship will not affect his independence in relation to his position as an INED. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the four INEDs to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operations and the internal control systems of the Group. Apart from these regular meetings, Board meetings are also held, as and when necessary, to consider major issues. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent to the Directors three days before the date of Board meeting to ensure that the Directors are given sufficient time to review the same. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, four Board meetings were held and the attendance of each Director are set as follows:

Members of the Board	**Attendance**
Executive Directors:	
Mr. Tang Ching Ho	4/4
Mr. Chan Chun Hong, Thomas	4/4
Ms. Tang Mui Fun	4/4
Independent non-executive Directors:	
Mr. Leung Wai Ho	4/4
Mr. Yuen Chi Choi	4/4
Mr. Siu Man Ho, Simon	3/4
Mr. Cho Wing Mou	4/4

CORPORATE GOVERNANCE REPORT (CONTINUED)

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Company is Mr. Tang Ching Ho and the Managing Director is Mr. Chan Chun Hong, Thomas. There is a clear division of responsibilities between the Chairman and the Managing Director, in that the Chairman bears primary responsibility for the leadership of the Board by ensuring its effective operation, while the Managing Director bears executive responsibility for the Company's business and the management of the day-to-day operations of the Company.

BOARD COMMITTEE

The Board has established various committees, including audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and executive committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees are kept by the company secretary of the Company and open for inspection at any reasonable time on reasonable notice by any Director. Each committee is required to report to the Board on its decisions and recommendations, where appropriate.

Audit Committee

The Audit Committee was established in compliance with Rule 3.21 of the Listing Rules and currently comprises four INEDs, namely, Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou. Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

The functions of the Audit Committee is to assist the Board to review the financial reporting, to supervise over the Group's internal controls, risk management and to monitor the internal and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to be in compliance with the code provision of the CG Code. Its terms of reference were updated in March 2009 to ensure, among other things, that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting and financial reporting function.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee meets at least twice a year. Two Audit Committee meetings were held during the year and the attendance of each member is set out as follows:

Members of the Audit Committee	**Attendance**
Mr. Yuen Chi Choi *(Chairman)*	2/2
Mr. Leung Wai Ho	2/2
Mr. Siu Man Ho, Simon	1/2
Mr. Cho Wing Mou	2/2

During the year under review, the Audit Committee's review covered the financial highlights and audit issue raised by external auditors, accounting principles and practices, amendments to the Listing Rules and accounting standards, internal controls, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting matters, including the consolidated financial statements for the six months period ended 30 September 2008 and for the year ended 31 March 2009.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD COMMITTEE (CONTINUED)

Remuneration Committee

The Board established the Remuneration Committee in September 2005 with specific written terms of reference. It currently consists of six members, including Messrs. Siu Man Ho, Simon, Yuen Chi Choi, Cho Wing Mou, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Siu Man Ho, Simon was elected as the chairman of the Remuneration Committee.

The role of Remuneration Committee is to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance while due having regarded to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in making any decisions as to his own remuneration.

The Remuneration Committee meets at least once a year. During the year, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

Members of the Remuneration Committee	**Attendance**
Mr. Siu Man Ho, Simon *(Chairman)*	1/1
Mr. Yuen Chi Choi	1/1
Mr. Cho Wing Mou	1/1
Mr. Leung Wai Ho	1/1
Mr. Tang Ching Ho	1/1
Mr. Chan Chun Hong, Thomas	1/1

The remuneration payable to the Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the financial statements.

Nomination Committee

The Nomination Committee has been established since September 2005 and currently consists of six members, including Messrs. Cho Wing Mou, Yuen Chi Choi, Siu Man Ho, Simon, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Cho Wing Mou was elected as the chairman of the Nomination Committee.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base on the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc) to identify and recommend proposed candidates to the Board.

During the year, the Nomination Committee did not hold any meeting for the nomination of Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

EXTERNAL AUDITORS' REMUNERATION

During the year and up to the date of this report, the remuneration paid/payable to the Company's external auditors, Deloitte Touche Tohmatsu ("Deloitte"), has been reviewed and approved by the Audit Committee and the Board, details of which are set out as follows:

Services rendered for the Group	**Fees paid/payable to Deloitte** HK$'000
Audit services	
– For annual financial statements	2,346
Non-audit services:	
– Taxation and professional services	136
Total	**2,482**

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim reports, annual reports, announcements and circulars.

The Company also acknowledges that general meetings are valuable forums for the Board to communicate directly with the shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

At the commencement of every general meeting, the chairman has explained the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All votes at the general meetings held in this year were taken by way of a poll and poll results were published on the websites of the Stock Exchange and the Company on the date immediately following the holding of the general meetings.

To promote effective communication, the Company maintains website at (http://www.wyth.net), where extensive information and updates on the Company's business development and operations, financial information and other information are posted as soon as practicable.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 22 to 23 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective control systems to safeguard the Company's assets and shareholders' interests, as well as for reviewing the effectiveness of these systems. The Board is responsible for approving and reviewing internal control policy while the responsibility of day-to-day management of operational risks lies with the management.

The internal control system is designed to provide reasonable, but not absolute, assurance against material loss; and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper accounting records and assist in the compliance with relevant rules and regulations. During the financial year, the Board reviewed with Audit Committee and auditors the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and satisfied that they were in compliance with our policy.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries comprise the production and sale of traditional Chinese and Western pharmaceutical products, health foods products and property holding. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 97.

The Board does not recommend the payment of any interim and final dividend in respect of the year.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 March 2009 are set out on pages 95 and 97 to the financial statements, respectively.

CONVERTIBLE LOAN NOTE, SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the convertible loan note, share capital and share option scheme of the Company during the year, together with the reasons therefore, are set out in notes 36, 38 and 39 to the financial statements, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's audited financial statements, is set out on page 98 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2009.

REPORT OF THE DIRECTORS (CONTINUED)

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution to equity holders was approximately HK$61,719,000 (2008: approximately HK$81,992,000) which represented the net balance of contributed surplus of approximately HK$18,494,000 (2008: approximately HK$18,494,000), general reserves of approximately HK$218,508,000 (2008: HK$218,508,000) and accumulated losses of approximately HK$175,283,000 (2008: approximately HK$155,010,000).

DIRECTORS

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

Executive Directors:

Mr. Tang Ching Ho
Mr. Chan Chun Hong, Thomas
Ms. Tang Mui Fun

Independent non-executive Directors:

Mr. Leung Wai Ho
Mr. Siu Man Ho, Simon
Mr. Yuen Chi Choi
Mr. Cho Wing Mou

In accordance with bye-law 87 of the Company's bye-laws, Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Mr. Cho Wing Mou will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all INEDs, namely Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, and as at the date of this annual report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 12 and 47 to the financial statements, no Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2009, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

Long positions in underlying shares of share options of the Company:

Name of Director	**Number of share options outstanding**	**Number of total underlying shares**	**Approximate percentage of the Company's total issued share capital**
			%
Tang Mui Fun *(Note)*	1,950,000	1,950,000	0.10

Note: *650,000 share options were granted on 3 January 2007 at an exercise price of HK$0.415 per share. 650,000 share options were granted on 2 January 2008 at an exercise price of HK$0.226 per share and 650,000 share options were granted on 8 January 2009 at an exercise price of HK$0.145 per share. The aforesaid share options were vested as follows.*

On 1st anniversary of the date of grant:	*30% vest*
On 2nd anniversary of the date of grant:	*Further 30% vest*
On 3rd anniversary of the date of grant:	*Remaining 40% vest*

Save as disclosed above, as at 31 March 2009, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to eligible participants who contribute to the success of the Group. During the year under review, the Company granted 7,760,000 share options under the Scheme, no share options were exercised and cancelled and 800,000 share options lapsed during the year. Details of the movements of the share options under the Scheme during the year were as follows:

Name or Category	Date of grant	Outstanding as at 1 April 2008	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding as at 31 March 2009	Exercise period of share options*	Exercise price per share HK$	Closing price per share immediately before the grant date HK$
Executive Director									
Tang Mui Fun	3/1/2007	650,000	–	–	–	650,000	2/1/2008 – 1/1/2012	0.415	
	2/1/2008	650,000	–	–	–	650,000	2/1/2009 – 1/1/2013	0.226	
	8/1/2009	–	650,000	–	–	650,000	8/1/2010 – 7/1/2019	0.145	0.145
		1,300,000	650,000	–	–	1,950,000			
Other employees	3/1/2007	3,470,000	–	–	(400,000)	3,070,000	2/1/2008 – 1/1/2012	0.415	
	2/1/2008	5,850,000	–	–	(400,000)	5,450,000	2/1/2009 – 1/1/2013	0.226	
	8/1/2009	–	7,110,000	–	–	7,110,000	8/1/2010 – 7/1/2019	0.145	0.145
TOTAL		10,620,000	7,760,000	–	(800,000)	17,580,000			

Notes:

* *The options granted under the Scheme vest as follows:*

On 1st anniversary of the date of grant:	*30% vest*
On 2nd anniversary of the date of grant:	*further 30% vest*
On 3rd anniversary of the date of grant:	*Remaining 40% vest*

As at the date of this report, the total number of shares available for issue under the Scheme is 121,254,768, representing 5.03% of the share capital of the Company in issue at the date of this report.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other particulars of the Company's share option schemes are set out in note 39 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" and "Share option scheme" above and in the share option scheme disclosures in note 39 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders (other than Directors) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the shares of the Company:

Name of shareholder	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 1)* *(%)*
Wang On *(Note 2)*	527,009,324	26.21
Wang On Enterprises (BVI) Limited ("WOE") *(Note 2)*	527,009,324	26.21
Rich Time Strategy Limited ("Rich Time") *(Note 2)*	527,009,324	26.21

Notes:

1. *The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2009 of 2,010,351,688 shares.*

2. *Rich Time is wholly owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in 527,009,324 shares held by Rich Time.*

Save as disclosed above, as at 31 March 2009, no person (other than the Directors) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Company continued to lease back the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "Premises") from Conful Limited following the disposal of Conful Limited, which held the Premises, in March 2007. The Company entered into a licence agreement (the "Agreement") with Denox Management Limited ("Denox") (now known as "Wang On Management Limited"), a wholly-owned subsidiary of Wang On, the substantial shareholder of the Company, to lease a portion of the Premises, as detailed in the Company's announcement dated 28 March 2007. These transactions constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

The Agreement expired on 30 June 2009, the Company renewed the Agreement with Denox for further three years, details of which are disclosed in the Company's announcement dated 2 July 2009.

Further details of these transactions are set out in note 47 to the financial statements.

The independent non-executive Directors confirm that the transactions had been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available to independent third parties and in accordance with the terms of the Agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

EMOLUMENT POLICY

The Group's emolument policy for its employees is set up and approved by the Remuneration Committee and the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee and the Board, as authorised by the shareholders at the annual general meeting, having regarded to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in note 39 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 14.1% of the Group's turnover.

During the year, the largest supplier accounted for 9.5% of the Group's purchases and the five largest suppliers of the Group accounted for 26.8% of the Group's purchases.

At no time during the year did a Director or any of their associates or a shareholder of the Company, which to the best knowledge of the Directors, owns more than 5% of the Company's share capital, had any beneficial interest in any of the Group's five largest customers or the largest suppliers.

DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$0.1 million (2008: approximately HK$0.1 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices in the interests of the shareholders.

In the opinion of the Directors, the Company has complied with the code provisions under the CG Code contained in Appendix 14 to the Listing Rules throughout the financial year under review. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 9 to 14 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient amount of public float as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's consolidated financial reporting process and internal controls. The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2009 of the Group with the management and the auditors. The Audit Committee comprises the four INEDs of the Company.

POST BALANCE SHEET EVENT

Details of significant post balance sheet events of the Group are set out in note 46 to the financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 March 2009 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tang Ching Ho
Chairman

Hong Kong, 22 July 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wai Yuen Tong Medicine Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 97, which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED (Continued)
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**496,151**	477,021
Cost of sales		**(267,478)**	(255,612)
Gross profit		**228,673**	221,409
Other income	9	**16,602**	25,478
Selling and distribution expenses		**(153,494)**	(150,326)
Administrative expenses		**(97,788)**	(88,685)
Finance costs	10	**(6,036)**	(13,056)
Change in fair value of options embedded in an unlisted note	20	**(252,827)**	264,807
Change in fair value of investments held-for-trading		**(11,618)**	1,460
Change in fair value of derivative financial instruments	31	**–**	(832)
Discount on acquisition of a subsidiary		**691**	12,324
Impairment losses recognised in respect of goodwill		**(10,382)**	(180,859)
Share of results of associates		**(62,221)**	(14,294)
Gain on disposal of a subsidiary		**2,636**	–
Gain on deemed disposal of partial interest in an associate		**–**	8,360
(Loss) profit before taxation	11	**(345,764)**	85,786
Income tax expense	13	**(178)**	(2,404)
(Loss) profit for the year		**(345,942)**	83,382
Attributable to:			
Equity holders of the Company		**(345,906)**	83,767
Minority interests		**(36)**	(385)
		(345,942)	83,382
(Loss) earnings per share	14		
– Basic and diluted		**(17.59 cents)**	5.21 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**58,406**	56,314
Prepaid lease payments	16	**93,562**	96,277
Goodwill	17	**15,335**	25,271
Interests in associates	18	**148,058**	209,043
Derivative financial instruments	20	**35,648**	288,475
Other intangible assets	19	**3,749**	4,604
Investments in unlisted notes	20	**172,682**	168,363
Prepayment for acquisition of interest in an associate	21	**–**	1,200
Deposit for acquisition of property, plant and equipment		**–**	910
Deferred tax assets	37	**378**	378
		527,818	850,835
CURRENT ASSETS			
Inventories	22	**80,751**	97,277
Trade and other receivables	23	**75,393**	80,333
Prepaid lease payments	16	**2,774**	2,762
Amounts due from associates	24	**3,385**	5,280
Tax recoverable		**2,014**	309
Investments in unlisted notes	20	**–**	3,889
Investments held-for-trading	25	**3,889**	16,644
Pledged bank deposits	26	**–**	1,599
Bank balances and cash	27	**57,096**	100,019
		225,302	308,112
CURRENT LIABILITIES			
Trade and other payables	28	**60,214**	69,916
Tax payable		**1,360**	2,289
Obligations under finance leases	29	**9**	13
Bank borrowings	30	**16,202**	12,948
Derivative financial instruments	31	**–**	832
Deferred franchise income	32	**98**	113
Convertible loan stock	33	**–**	8
Loan from a shareholder	34	**25,000**	–
Advances from minority shareholders of a subsidiary	35	**3,396**	3,030
		106,279	89,149
NET CURRENT ASSETS		**119,023**	218,963
TOTAL ASSETS LESS CURRENT LIABILITIES		**646,841**	1,069,798

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	29	–	9
Convertible loan note	36	–	138,022
Bank borrowings	30	47,182	35,385
Deferred tax liabilities	37	110	1,115
		47,292	174,531
NET ASSETS		599,549	895,267
CAPITAL AND RESERVES			
Share capital	38	20,104	16,754
Reserves		572,632	872,247
Equity attributable to equity holders of the Company		592,736	889,001
Minority interests		6,813	6,266
TOTAL EQUITY		599,549	895,267

The consolidated financial statements on pages 24 to 97 were approved and authorised for issue by the Board of Directors on 22 July 2009 and are signed on its behalf by:

TANG CHING HO
DIRECTOR

CHAN CHUN HONG, THOMAS
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to the equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note a)*	General reserve HK$'000 *(note b)*	Share option reserve HK$'000	Translation reserve HK$'000	Convertible loan note reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	13,964	551,881	(27,150)	218,508	52	2,096	–	(101,760)	657,591	107	657,698
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,071	–	–	1,071	125	1,196
Share of translation reserve of associates	–	–	–	–	–	3,404	–	–	3,404	–	3,404
Net income recognised directly in equity	–	–	–	–	–	4,475	–	–	4,475	125	4,600
Profit for the year	–	–	–	–	–	–	–	83,767	83,767	(385)	83,382
Total recognised income for the year	–	–	–	–	–	4,475	–	83,767	88,242	(260)	87,982
Issue of shares	2,790	125,550	–	–	–	–	–	–	128,340	–	128,340
Share issue expenses	–	(3,717)	–	–	–	–	–	–	(3,717)	–	(3,717)
Recognition of share-based payment	–	–	–	–	277	–	–	–	277	–	277
Recognition of equity component of convertible loan note	–	–	–	–	–	–	23,026	–	23,026	–	23,026
Partial early redemption of convertible loan note	–	–	–	–	–	–	(9,302)	4,544	(4,758)	–	(4,758)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	6,429	6,429
Dividend paid	–	–	–	–	–	–	–	–	–	(10)	(10)
At 31 March 2008	16,754	673,714	(27,150)	218,508	329	6,571	13,724	(13,449)	889,001	6,266	895,267
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(992)	–	–	(992)	137	(855)
Share of translation reserve of an associate	–	–	–	–	–	1,715	–	–	1,715	–	1,715
Net income recognised directly in equity	–	–	–	–	–	723	–	–	723	137	860
Loss for the year	–	–	–	–	–	–	–	(345,906)	(345,906)	(36)	(345,942)
Transfer to profit or loss on disposal of a subsidiary	–	–	–	–	–	(439)	–	–	(439)	(18)	(457)
Total recognised income (expense) for the year	–	–	–	–	–	284	–	(345,906)	(345,622)	83	(345,539)
Issue of shares	3,350	51,926	–	–	–	–	–	–	55,276	–	55,276
Share issue expenses	–	(1,681)	–	–	–	–	–	–	(1,681)	–	(1,681)
Recognition of share-based payment	–	–	–	–	813	–	–	–	813	–	813
Lapse of share options	–	–	–	–	(87)	–	–	87	–	–	–
Early redemption of convertible loan note	–	–	–	–	–	–	(13,724)	8,673	(5,051)	–	(5,051)
Inproportionate capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	464	464
At 31 March 2009	20,104	723,959	(27,150)	218,508	1,055	6,855	–	(350,595)	592,736	6,813	599,549

Notes:

(a) *The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.*

(b) *The general reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of bonus issue of shares by the Company.*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(345,764)**	85,786
Adjustments for:		
Depreciation of property, plant and equipment	**16,987**	14,966
Change in fair value of options embedded in an unlisted note	**252,827**	(264,807)
Change in fair value of derivative financial instruments	**–**	832
Finance costs	**6,036**	13,056
Gain on disposal of a subsidiary	**(2,636)**	–
Discount on acquisition of a subsidiary	**(691)**	(12,324)
(Reversal of) allowance for obsolete inventories	**(1,228)**	2,286
Impairment losses recognised in respect of goodwill	**10,382**	180,859
Amortisation of prepaid lease payments	**2,774**	2,612
Amortisation of other intangible assets	**930**	409
Interest income	**(10,712)**	(16,699)
Dividends from investments held-for-trading	**(650)**	–
Loss on disposal of property, plant and equipment	**58**	63
Change in fair value of investments held-for-trading	**9,579**	(1,460)
Recognition of allowance for trade and other receivables	**11,915**	6,833
Share-based payment expenses	**813**	277
Share of results of associates	**62,221**	14,294
Gain on deemed disposal of partial interest in an associate	**–**	(8,360)
Gain on disposal of investments in unlisted notes	**–**	(1,945)
Operating cash flows before movements in working capital	**12,841**	16,678
Decrease (increase) in inventories	**22,185**	(28,152)
Increase in trade and other receivables	**(3,336)**	(8,016)
Decrease in amounts due from associates	**1,895**	4,245
Decrease (increase) in investments held-for-trading	**2,344**	(709)
Decrease in trade and other payables	**(15,836)**	(15,922)
Decrease in deferred franchise income	**(15)**	(110)
Cash generated from (used in) operations	**20,078**	(31,986)
Interest received	**482**	10,810
Hong Kong Profits Tax paid	**(2,984)**	(1,397)
Overseas taxation paid	**(712)**	(235)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**16,864**	(22,808)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(17,060)**	(10,813)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	40	**(1,802)**	(656)
Purchase of trademarks		**(75)**	(113)
Interest received		**5,971**	3,307
Proceeds from disposal of unlisted notes		**3,889**	14,000
Disposal of a subsidiary	41	**1,998**	–
Decrease (increase) in pledged bank deposits		**1,599**	(1,599)
Dividends received from investments held-for-trading		**650**	–
Inproportionate capital contribution from a minority shareholder of a subsidiary		**464**	–
Proceeds from disposal of property, plant and equipment		**125**	–
Investment in an associate		**–**	(210,000)
Purchase of investments in unlisted notes		**–**	(197,000)
Prepayment for acquisition of interest in an associate		**–**	(1,200)
Deposit paid of acquisition of property, plant and equipment		**–**	(910)
Repayment from an associate		**–**	20,000
Repayment of prepayment paid for an investment		**–**	9,378
Decrease in long-term bank deposits		**–**	7,813
NET CASH USED IN INVESTING ACTIVITIES		**(4,241)**	(367,793)
FINANCING ACTIVITIES			
Redemption of convertible loan note		**(145,275)**	(98,475)
Repayments of bank borrowings		**(45,455)**	(50,114)
Interest paid		**(2,952)**	(3,015)
Repayments of obligations under finance leases		**(13)**	(29)
New bank loans raised		**60,401**	34,428
Proceeds from issue of shares		**55,276**	128,340
Share issue expenses		**(1,681)**	(3,717)
Loan from a shareholder		**35,000**	–
Repayment of loan from a shareholder		**(10,000)**	–
Advances from minority shareholders of a subsidiary		**233**	–
Proceeds from issue of convertible loan note		**–**	250,000
Issue cost of convertible loan note		**–**	(3,750)
Dividends paid to minority shareholders		**–**	(10)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(54,466)**	253,658
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(41,843)**	(136,943)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**100,019**	236,625
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,080)**	337
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**57,096**	100,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 49.

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

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

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

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

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

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

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

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

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

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

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

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

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

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

8 *Effective for transfers on or after 1 July 2009*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain 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 HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

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

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, 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 net assets of the associates, 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 investment.

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

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

Revenue recognition

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

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

Processing fee income is recognised when services are provided.

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

Management and promotion fee income is recognised when services are provided.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent depreciation and accumulated impairment losses.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets 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 consolidated income statement in the year in which the item is derecognised.

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 consolidated income statement on a straight-line basis over the term of the relevant lease.

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 consolidated 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 the consolidated income statement.

Rentals payable under operating leases are charged to consolidated income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and building

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (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 retranslation 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 consolidated income statement 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.

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(i) Retirement benefit costs

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

(ii) Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in consolidated income statement, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. 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 consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The resultant asset is amortised on a straight-line basis over its estimated useful life.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 ("FVTPL") 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.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, investments in unlisted notes, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement. When trade and other receivables and amounts due from associates are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated income statement.

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

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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible loan note

Convertible loan note issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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 gross proceeds of the issue of the convertible loan note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan note reserve).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible loan note (Continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity component in proportion to the allocation of the gross 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 note using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings, loan from a shareholder and advances from minority shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

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

Derecognition

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

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, 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 consolidated financial statements are disclosed below:

Estimated impairment of goodwill

In determining whether goodwill is impaired, the Group 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, an additional impairment loss may arise. As at 31 March 2009, the carrying amount of goodwill is approximately HK$15,335,000 (2008: HK$25,271,000). Details of the recoverable amount calculation are disclosed in note 17. A recognition of impairment losses of goodwill totalling HK$10,382,000 (2008: HK$180,859,000) was made during the year ended 31 March 2009.

Fair value of derivatives and other financial instruments

As described in note 6c, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of the fair values of unlisted equity instruments includes some assumptions not supported by observable market prices or rates.

The carrying amounts of respective derivative financial instruments included in the consolidated balance sheet as assets (liabilities) are summarised below:

	Notes	**2009 HK$'000**	2008 HK$'000
Conversion option embedded in an unlisted note	*20*	**69,484**	333,270
Issuer's redemption option embedded in an unlisted note	*20*	**(33,836)**	(44,795)
Equity accumulators	*31*	**–**	(832)
		35,648	287,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and loan from a shareholder disclosed in notes 30 and 34, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Held for trading	**3,889**	16,644
Derivative financial instruments classified as FVTPL	**35,648**	288,475
Loans and receivables (including cash and cash equivalents)	**300,643**	354,238
Financial liabilities		
Amortised cost	**129,960**	235,370

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates, investments in unlisted notes, investments held-for-trading, trade and other payables, bank borrowings, derivative financial instruments, bank balances and cash, loan from a shareholder and advances from minority shareholders of a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity security price risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Company and several subsidiaries of the Company have foreign currency sales and purchases and foreign currency bank deposits, which expose the Group to foreign currency risk. Approximately 3.2% (2008: 35.2%) of the Group's bank deposits are denominated in currency other than the functional currency of the group entities. Substantially all of the Group's sales are denominated in the relevant group entities' functional currency, whilst almost 77.3% (2008: 79.0%) of purchase costs are denominated in the relevant group entities' functional currency.

The Group currently does not implement hedging activity to hedge against foreign currency exposure.

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

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**4,903**	3,496	**956**	28
United States Dollar ("USD")	**69**	2	**245**	31,371
Hong Kong Dollar ("HK$")	**67**	–	**896**	–
Australian dollar ("AUD")	**20**	12	**–**	999
Euro ("EUR")	**–**	70	**–**	4,143
Great Britain Pound ("GBP")	**–**	8	**–**	2,387
Singapore dollar ("SGD")	**–**	–	**1,751**	9,602

Sensitivity analysis

The Group is mainly exposed to the foreign exchange rates fluctuation of the foreign currencies stated above against the functional currency of certain respective group entities. The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of certain respective group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The Group's sensitivity to fluctuations in USD is low as the USD denominated monetary assets were held by group entities whose functional currency is HKD which is pegged to USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than those denominated in USD and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive/negative number below indicates a decrease/increase in loss for the year (2008: increase/decrease in profit for the year) where the functional currency of group entities weakens 5% against the relevant foreign currencies. For a 5% strengthening of the functional currency of group entities against the relevant foreign currencies, there would be an equal and opposite impact on the loss for the year.

	SGD Impact		EUR Impact		AUD Impact		RMB Impact		GBP Impact	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss for the year	73	397	–	168	(1)	41	(165)	(149)	–	98

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings and variable-rate loan from a shareholder (see notes 30 and 34 respectively for details of these borrowings) and bank deposits at prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowing (see note 30 for details of this borrowing), fixed-coupon rate unlisted notes (see note 20), fixed-rate short term bank deposits (see note 27) and fixed-coupon rate convertible loan note (see note 36).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of one to three months Hong Kong Interbank Offered Rate ("HIBOR"). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and loan from a shareholder at the balance sheet date. For variable-rate bank borrowings and loan from a shareholder, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would increase/decrease by approximately HK$362,000 (2008: profit decrease/increase by HK$99,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and loan from a shareholder.

(iii) Equity security price risk

The Group is exposed to equity security price risk because the fair value of investments held-for-trading is measured by reference to the prevailing market price. Details of investments held-for-trading are set out in note 25.

The Group is also exposed to equity price risk on the options embedded in an unlisted note because of the fluctuation on the listed stock price of LeRoi Holdings Limited ("LeRoi").

The Group currently does not have a policy to hedge the equity security price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Equity security price risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to investments held-for-trading at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 5% increase or decrease is used when reporting equity security price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the prevailing market price.

If market price of investments held-for-trading had been increased/decreased by 5% and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would decrease/increase by approximately HK$173,000 (2008: profit increase/decrease by HK$769,000).

For derivative financial instruments in relation to investment in an unlisted note of an associate, LeRoi, the sensitivity analysis has been determined assuming that the listed stock price of LeRoi had been increased/decreased by 5% and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would decrease/increase by approximately HK$5,042,000/HK$7,085,000 (2008: profit increase/decrease by HK$23,557,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2009								
Trade and other payables	–	38,171	–	–	–	–	38,171	38,171
Advances from minority shareholders of a subsidiary	7.02	3,540	–	–	–	–	3,540	3,396
Obligations under finance leases	6.02	–	–	11	–	–	11	9
Loan from a shareholder								
– variable rate	5.00	–	5,250	21,000	–	–	26,250	25,000
Bank borrowings								
– variable rate	3.23	4,896	3,941	7,504	39,885	10,791	67,017	61,674
– fixed rate	6.37	432	423	818	133	–	1,806	1,710
		47,039	9,614	29,333	40,018	10,791	136,795	129,960
As at 31 March 2008								
Trade and other payables	–	45,955	–	–	–	–	45,955	45,955
Advances from minority shareholders of a subsidiary	7.02	–	–	3,233	–	–	3,233	3,030
Convertible loan stock	9.53	–	–	8	–	–	8	8
Convertible loan note	5.67	–	745	745	149,621	–	151,111	138,022
Obligations under finance leases	6.02	–	–	15	11	–	26	22
Bank borrowings								
– variable rate	5.95	4,507	2,886	4,939	22,553	15,422	50,307	44,736
– fixed rate	6.37	–	–	3,131	737	–	3,868	3,597
		50,462	3,631	12,071	172,922	15,422	254,508	235,370
Derivative – net settlement								
Equity accumulators	–	–	502	330	–	–	832	832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 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 has concentration of credit risk in the amounts due from associates of approximately HK$3,385,000 (2008: HK$5,280,000). 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 receivables 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.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

c. Fair value

The fair value of financial assets and liabilities is determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair values of the derivatives embedded in an unlisted note due from an associate and the equity accumulators in notes 20 and 31, respectively, are determined based on the valuation model shown on respective notes; and

- the fair value of the investments held-for-trading in note 25 is determined based on quoted market bid prices in the active market.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values, except for investment in an unlisted note due from an associate as disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

7. REVENUE

Revenue represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts is as follows:

	2009 HK$'000	2008 HK$'000
Sales of goods	**494,852**	472,564
Management and promotion fees	**1,299**	4,457
	496,151	477,021

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 Western pharmaceutical and health food products; and (iii) production and sale of bottled birds' nest drinks and herbal essence products. These divisions are the basis on which the Group reports its primary segment information.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

Consolidated Income Statement

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Elimination		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
REVENUE										
External sales	333,627	335,532	126,744	96,701	35,780	44,788	–	–	496,151	477,021
Inter segment sales *	2,640	2,884	–	76	20,996	24,752	(23,636)	(27,712)	–	–
	336,267	338,416	126,744	96,777	56,776	69,540	(23,636)	(27,712)	496,151	477,021
RESULTS										
Results, excluding impairment loss recognised in respect of goodwill	(12,694)	272	12,372	2,666	2,144	5,539			1,822	8,477
Impairment losses recognised in respect of goodwill	(4,717)	(80,707)	(5,665)	(95,802)	–	(4,350)			(10,382)	(180,859)
Segment results	(17,411)	(80,435)	6,707	(93,136)	2,144	1,189			(8,560)	(172,382)
Other income									16,602	25,478
Unallocated corporate expenses									(24,431)	(26,079)
Finance costs									(6,036)	(13,056)
Discount on acquisition of a subsidiary									691	12,324
Change in fair value of investments held-for-trading									(11,618)	1,460
Change in fair value of options embedded in an unlisted note									(252,827)	264,807
Share of results of associates									(62,221)	(14,294)
Gain on disposal of a subsidiary									2,636	–
Gain on deemed disposal of partial interest in an associate									–	8,360
Change in fair value of derivative financial instruments									–	(832)
(Loss) profit before taxation									(345,764)	85,786
Income tax expense									(178)	(2,404)
(Loss) profit for the year									(345,942)	83,382

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

Consolidated Balance Sheet

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS AND LIABILITIES								
ASSETS								
Assets excluding goodwill	**213,930**	250,414	**69,565**	60,397	**20,232**	22,330	**303,727**	333,141
Goodwill	**7,700**	11,971	**7,635**	13,300	**–**	–	**15,335**	25,271
Segment assets	**221,630**	262,385	**77,200**	73,697	**20,232**	22,330	**319,062**	358,412
Interests in associates							**148,058**	209,043
Unallocated corporate assets							**286,000**	591,492
Consolidated total assets							**753,120**	1,158,947
LIABILITIES								
Segment liabilities	**36,164**	40,605	**12,085**	14,607	**5,418**	6,720	**53,667**	61,932
Unallocated corporate liabilities							**99,904**	201,748
Consolidated total liabilities							**153,571**	263,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

Consolidated Balance Sheet

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
OTHER INFORMATION										
Capital expenditure	**4,896**	7,665	**3,479**	874	**4,612**	501	**5,058**	1,886	**18,045**	10,926
Capital expenditure through acquisition of subsidiaries	**742**	174	**–**	25,782	**–**	–	**–**	–	**742**	25,956
Depreciation of property, plant and equipment	**10,952**	11,629	**3,339**	1,559	**911**	673	**1,785**	1,105	**16,987**	14,966
Amortisation of other intangible assets	**170**	159	**760**	250	**–**	–	**–**	–	**930**	409
Allowance for (reversal of) trade and other receivables	**12,947**	2,763	**(498)**	3,522	**(534)**	548	**–**	–	**11,915**	6,833
(Reversal of) allowance for obsolete inventories	**(399)**	1,865	**(245)**	421	**(584)**	–	**–**	–	**(1,228)**	2,286

Geographical segments

The Group's operations are carried out in Hong Kong, other regions in the People's Republic of China (the "PRC") and Singapore.

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

	Revenue from External Customers	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**334,570**	344,557
The PRC, other than Hong Kong	**115,296**	75,316
Singapore	**27,586**	31,744
Others	**18,699**	25,404
	496,151	477,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

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**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong	**240,117**	278,072	**4,896**	7,840
The PRC, other than Hong Kong	**57,046**	59,484	**4,221**	26,641
Singapore	**18,026**	14,482	**4,612**	501
Others	**3,873**	6,374	**–**	14
	319,062	358,412	**13,729**	34,996

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Effective interest income on investment in an unlisted note due from an associate	**10,019**	4,872
Rental income	**2,477**	1,981
Sundry income	**1,458**	3,163
Processing fee income	**908**	1,071
Dividends from investments held-for-trading	**650**	–
Interest income on bank deposits	**482**	10,810
Exchange gain, net	**282**	407
Interest income on investment in unlisted notes from financial institutions	**145**	239
Franchise income	**115**	212
Interest income from loans to an associate	**66**	778
Gain on disposal of investments in unlisted notes	**–**	1,945
	16,602	25,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Effective interest expense on convertible loan note	**2,628**	10,041
Bank borrowings wholly repayable within five years	**1,643**	744
Bank borrowings not wholly repayable within five years	**1,094**	2,201
Loan from a shareholder	**456**	–
Advances from minority shareholders of a subsidiary	**196**	65
Others	**17**	–
Obligations under finance leases	**2**	4
Convertible loan stock	**–**	1
	6,036	13,056

11. (LOSS) PROFIT BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration *(note 12(a))*	**4,059**	3,818
Other staff costs		
– Salaries and other benefits	**82,493**	82,742
– Share-based payments excluding directors	**706**	237
– Retirement benefit scheme contributions other than directors	**6,327**	4,731
Total staff costs	**93,585**	91,528
Allowance for trade and other receivables	**11,915**	6,833
(Reversal of) allowance for obsolete inventories *(Note)*	**(1,228)**	2,286
Amortisation of other intangible assets, included in selling and distribution expenses	**930**	409
Auditor's remuneration	**2,346**	2,374
Depreciation of property, plant and equipment	**16,987**	14,966
Loss on disposal of property, plant and equipment	**58**	63
Amortisation of prepaid lease payments	**2,774**	2,612
Management fee paid to a shareholder	**996**	996
Research and development expenses	**1,441**	1,353
Cost of inventories recognised as an expense	**267,478**	255,612

Note: Reversal of allowance for obsolete inventories as such inventories are sold during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2008: seven) directors are as follows:

	Ms. Tang Mui Fun HK$'000	Mr. Chan Chun Hong, Thomas HK$'000	Mr. Tang Ching Ho HK$'000	Mr. Siu Man Ho, Simon HK$'000	Mr. Yuen Chi Choi HK$'000	Mr. Cho Wing Mou HK$'000	Mr. Leung Wai Ho HK$'000	Total HK$'000
2009								
Fees	**–**	**–**	**–**	**140**	**140**	**140**	**140**	**560**
Other emoluments:								
Salaries and other benefits	**2,132**	**600**	**600**	**–**	**–**	**–**	**–**	**3,332**
Retirement benefit scheme contributions	**36**	**12**	**12**	**–**	**–**	**–**	**–**	**60**
Share-based payment	**107**	**–**	**–**	**–**	**–**	**–**	**–**	**107**
Total emoluments	**2,275**	**612**	**612**	**140**	**140**	**140**	**140**	**4,059**
2008								
Fees	–	–	–	140	140	140	140	560
Other emoluments:								
Salaries and other benefits	1,812	722	624	–	–	–	–	3,158
Retirement benefit scheme contributions	36	12	12	–	–	–	–	60
Share-based payment	40	–	–	–	–	–	–	40
Total emoluments	1,888	734	636	140	140	140	140	3,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one was director (2008: two were directors) of the Company whose emoluments are set out in note 12(a) above. The emoluments of the remaining four (2008: three) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	3,535	3,088
Retirement benefit scheme contributions	47	36
Share-based payment	150	20
	3,732	3,144

Their emoluments are within the following bands:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	–	–

During the year, no emolument was 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 has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

13. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current tax		
Hong Kong	**1,499**	2,580
Other jurisdictions	**384**	1,038
	1,883	3,618
Overprovision in prior years		
Hong Kong	**(705)**	(3)
Deferred taxation *(note 37)*		
Current year	**(960)**	(1,211)
Attributable to a change in tax rate	**(40)**	–
	178	2,404

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Singapore Income Tax is calculated at 17% (2008: 18%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax ("EIT") rate of one of the Group's subsidiary established in the PRC was reduced to 25% from 1 January 2008 onwards. In addition, the EIT rate of two of the Group's subsidiaries established in the PRC increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 18% to 25% (2008: 33% and was reduced to 25% from 1 January 2008 onwards).

A subsidiary is exempted from the PRC income tax for profits incurred for the year ended 31 December 2008, followed by a 50% reduction for profits incurred between 1 January 2009 to 31 December 2011 as approved by the PRC tax bureau.

No provision for the PRC income tax has been made in the consolidated financial statements since the subsidiaries in the PRC are either exempted from the PRC income tax or no assessable profits during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

13. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation	**(345,764)**	85,786
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**(57,051)**	15,013
Tax effect of share of results of associates	**10,266**	2,501
Tax effect of expenses not deductible for tax purpose	**47,210**	35,855
Tax effect of income not taxable for tax purpose	**(2,612)**	(53,194)
Tax effect of tax losses not recognised	**2,631**	3,700
Overprovision in prior years	**(705)**	(3)
Utilisation of tax losses not recognised	**(76)**	(1,193)
Tax effect of deductible temporary differences not recognised	**1,441**	–
Effect of tax exemption granted to a PRC subsidiary	**(349)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(709)**	(518)
Effect of change in tax rate	**(40)**	–
Others	**172**	243
Tax charge for the year	**178**	2,404

Details of deferred taxation are set out in note 37.

14. (LOSS) EARNINGS PER SHARE

For the year ended 31 March 2009, the calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2009 HK$'000	2008 HK$'000
(Loss) profit for the year attributable to the equity holders of the Company for the purpose of basic (loss) earnings per share	**(345,906)**	83,767

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,966,296,367**	1,607,503,426

The computations of diluted (loss) earnings per share for the year ended 31 March 2009 and 2008 do not assume the exercise of the outstanding share 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 Stock Exchange nor the conversion of the outstanding convertible loan stock and convertible loan note of the Company, since the exercise of which would result in a decrease in loss per share for the year ended 31 March 2009 and an increase in earnings per share for the year ended 31 March 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Computer system	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 April 2007	12,881	20,408	38,097	26,959	901	8,123	–	107,369
Exchange realignment	1,004	71	664	158	104	33	345	2,379
Additions	–	7,441	913	1,797	–	367	295	10,813
On acquisition of a subsidiary	12,370	350	2,033	282	159	–	6,896	22,090
Disposals	–	(731)	–	(313)	–	(81)	–	(1,125)
At 31 March 2008	26,255	27,539	41,707	28,883	1,164	8,442	7,536	141,526
Exchange realignment	964	26	59	(28)	(71)	(16)	349	1,283
Additions	218	7,795	2,574	2,807	228	1,510	2,838	17,970
On acquisition of subsidiaries	–	30	1	87	–	178	–	296
Disposals	–	(99)	(1,254)	(170)	–	–	–	(1,523)
Disposal of a subsidiary	(5,379)	–	(7,318)	(697)	–	–	–	(13,394)
At 31 March 2009	22,058	35,291	35,769	30,882	1,321	10,114	10,723	146,158
DEPRECIATION								
At 1 April 2007	6,931	15,128	21,892	20,037	572	5,580	–	70,140
Exchange realignment	384	49	494	120	93	28	–	1,168
Provided for the year	1,159	5,248	4,103	3,322	136	998	–	14,966
Eliminated on disposals	–	(668)	–	(313)	–	(81)	–	(1,062)
At 31 March 2008	8,474	19,757	26,489	23,166	801	6,525	–	85,212
Exchange realignment	387	2	35	(35)	(77)	(25)	–	287
Provided for the year	2,668	5,273	4,277	3,548	128	1,093	–	16,987
Eliminated on disposals	–	(76)	(1,132)	(132)	–	–	–	(1,340)
Eliminated on disposal of a subsidiary	(5,379)	–	(7,318)	(697)	–	–	–	(13,394)
At 31 March 2009	6,150	24,956	22,351	25,850	852	7,593	–	87,752
CARRYING AMOUNT								
At 31 March 2009	15,908	10,335	13,418	5,032	469	2,521	10,723	58,406
At 31 March 2008	17,781	7,782	15,218	5,717	363	1,917	7,536	56,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	2% or over the terms of the relevant leases, whichever is shorter *(note)*
Leasehold improvements	20 – $33\frac{1}{3}\%$
Plant and machinery	10% – 20%
Furniture and equipment	20 – $33\frac{1}{3}\%$
Motor vehicles	20%
Computer system	20 – $33\frac{1}{3}\%$

The carrying value of buildings shown above comprises buildings situated on:

	2009 HK$'000	2008 HK$'000
Land in Hong Kong:		
Medium-term lease	**5,629**	5,789
Land in the PRC *(Note)*	**10,279**	11,992
	15,908	17,781

Note: Buildings are situated on allocated land without lease term in the PRC. Such land was obtained from local government. Depreciation on the buildings situated on such land and amortization on the prepaid lease payment are provided over the operating period of six years as stated in the business license. The land in the PRC cannot be sold and changed its usage freely without approval from local government.

At 31 March 2009, the carrying amount of furniture and equipment includes an amount of approximately HK$8,000 (2008: HK$42,000) in respect of assets held under finance leases. In addition, the Group has pledged buildings with carrying amount of approximately HK$9,366,000 (2008: HK$11,008,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009 HK$'000	2008 HK$'000
Medium-term lease land in Hong Kong	95,004	97,503
Land in the PRC *(note)*	1,332	1,536
	96,336	99,039

Note: This land is located in the PRC without lease term as disclosed in note 15.

Analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Non-current assets	93,562	96,277
Current assets	2,774	2,762
	96,336	99,039

The Group pledged certain prepaid lease payments for land to the bank to obtain general banking facilities. Details of pledge of assets are set out in note 43.

17. GOODWILL

	HK$'000
CARRYING AMOUNT	
At 1 April 2007	206,064
Arising on acquisition of a subsidiary *(note 40)*	66
Impairment loss recognised	(180,859)
At 31 March 2008	25,271
Arising on acquisition of subsidiaries *(note 40)*	446
Impairment loss recognised	(10,382)
At 31 March 2009	15,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

17. GOODWILL (CONTINUED)

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:

	2009 HK$'000	2008 HK$'000
Production and sale of:		
– Chinese pharmaceutical and health food products	7,700	11,971
– Western pharmaceutical and health food products	7,635	13,300
– Bottled birds' nest drinks and herbal essence products	–	–
	15,335	25,271

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 risks specific to the CGUs.

The Group prepares 5-year cash flow forecasts based on financial budgets approved by the management. The rate used to discount the forecast cash flows for the production and sale of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products is 13.50% (2008: 13.54%). Cash flows for the production and sale of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products beyond the 5-year period are extrapolated using a steady 3% and 2% growth rate, respectively (2008: 3% for both).

In view of the general slowdown in the global economy brought by the financial tsunami, there will be an adverse effect on the future profits on the Chinese pharmaceutical business. As a result, a recognition of impairment loss of goodwill allocated to the production and sale of Chinese pharmaceutical and health food products business of HK$4,717,000 (2008: HK$80,707,000) was made during the year.

By considering the control on sales of cough syrup in the PRC has been tightened and the expected increase in compliance costs, a decrease in gross profit margin were expected for the Western pharmaceutical business. As a result, a recognition of impairment loss of goodwill allocated to the production and sale of Western pharmaceutical and health food products business of HK$5,665,000 (2008: HK$95,802,000) was made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

17. GOODWILL (CONTINUED)

During the year ended 31 March 2008, in view of the slowdown of retailing markets and continuous increase in operating expenses, a recognition of impairment loss of goodwill allocated to the production and sale of bottled birds' nest drinks and herbal essence products business of HK$4,350,000 was made. As a result, the carrying amount of goodwill was reduced to zero as at 31 March 2008.

The carrying amount of goodwill for the production and sale of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products have therefore been reduced to their recoverable amounts through the recognition of a total impairment losses of approximately HK$10,382,000 (2008: HK$180,859,000) in the current year.

18. INTERESTS IN ASSOCIATES

	2009	2008
	HK$'000	HK$'000
Cost of investment in associates *(note a)*		
– Listed in Hong Kong *(note b)*	**211,682**	211,682
– Unlisted *(note c)*	**3,350**	3,650
Share of post-acquisition reserves, net of dividends received	**(66,974)**	(6,289)
	148,058	209,043
Market value of listed investments	**269,700**	783,700

(a) Included in cost of investment in associates is goodwill arising on acquisition of the associates. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 April 2007	52,065
Transfer *(Note)*	(14,371)
At 31 March 2008 and 31 March 2009	37,694
IMPAIRMENT	
At 1 April 2007	(52,065)
Transfer *(Note)*	14,371
At 31 March 2008 and 31 March 2009	(37,694)
CARRYING AMOUNT	
At 31 March 2008 and 31 March 2009	–

Note: During the year ended 31 March 2008, the Group had further acquired 32% of equity interest in China Field Enterprises Ltd ("China Field") which became a subsidiary of the Group as at 31 March 2008. An impairment of HK$14,371,000 had been charged to consolidated income statement in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

18. INTERESTS IN ASSOCIATES (CONTINUED)

(b) During the year ended 31 March 2008, the Group further acquired 2,100,000,000 shares in LeRoi at the cost of HK$210,000,000. As at 31 March 2009 and 2008, the Group holds approximately 29.97% equity interest in LeRoi.

The summarised financial information have been extracted from the published financial information of LeRoi as below:

	2009 HK$'000	2008 HK$'000
Total assets	**711,555**	869,038
Total liabilities	**(224,720)**	(182,432)
Net assets	**486,835**	686,606
The Group's share of net assets of associates	**145,406**	205,826

	2009 HK$'000	2008 HK$'000
Revenue	**61,822**	84,188
Loss for the year	**(206,041)**	(59,153)
The Group's share of results of associates for the year	**(62,085)**	(16,487)

(c) The summarised financial information in respect of the Group's principal unlisted associates is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	**9,214**	14,577
Total liabilities	**(2,522)**	(5,562)
Net assets	**6,692**	9,015
The Group's share of net assets of associates	**2,652**	3,217
Revenue	**23,589**	53,440
(Loss) profit for the year	**(175)**	3,783
The Group's share of results of associates for the year	**(136)**	2,193

Details of the Group's principal associates at 31 March 2009 are set out in note 50.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

19. OTHER INTANGIBLE ASSETS

	Customer relationship HK$'000	Trademark HK$'000	Total HK$'000
COST			
At 1 April 2007	–	1,537	1,537
Addition during the year	–	113	113
Acquired on acquisition of a subsidiary	600	3,200	3,800
At 31 March 2008	600	4,850	5,450
Addition during the year	–	75	75
At 31 March 2009	600	4,925	5,525
AMORTISATION			
At 1 April 2007	–	437	437
Provided for the year	50	359	409
At 31 March 2008	50	796	846
Provided for the year	120	810	930
At 31 March 2009	170	1,606	1,776
CARRYING AMOUNT			
At 31 March 2009	430	3,319	3,749
At 31 March 2008	550	4,054	4,604

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Customer relationship	5 years
Trademark	5 to 10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

20. INVESTMENTS IN UNLISTED NOTES

	2009 HK$'000	2008 HK$'000
The amount comprises:		
– unlisted convertible note due from an associate *(Note a)*	172,682	168,363
– unlisted bank note *(Note b)*	–	3,889
	172,682	172,252
Carrying amount analysed for reporting purposes as:		
Non-current	172,682	168,363
Current	–	3,889
	172,682	172,252

Notes:

(a) The Group subscribed unlisted convertible notes issued by an associate, LeRoi with principal amounts of HK$190,000,000 and HK$3,000,000 on 5 October 2007 and 24 January 2007, respectively ("LeRoi Note 2" and "LeRoi Note 1", respectively) and details of LeRoi Note 2 and LeRoi Note 1 are as follows:

	LeRoi Note 2	LeRoi Note 1
Coupon rate per annum	3%	6.5%
Maturity date	4 October 2012	23 January 2010

The Group is entitled at any time, after the date of issue up to the maturity dates as stated above to convert LeRoi Note 2 and LeRoi Note 1 into ordinary shares of LeRoi at an initial conversion price (subject to adjustment) of HK$0.12 and HK$0.2 per share, respectively.

At the issue date on 24 January 2007, LeRoi Note 1 comprised a liability component of fair value of HK$2,848,000 and an embedded derivative, being the conversion option of fair value of HK$207,000, which were determined by a firm of independent valuers using discounted cash flow method and Binomial Option Pricing Model ("Binomial Model"), respectively. During the year ended 31 March 2008, the Group further subscribed HK$7,000,000 LeRoi Note 1 and all LeRoi Note 1 was disposed of during the year 2008, resulting in a gain of approximately HK$1,945,000 recognised in the consolidated income statement.

LeRoi is entitled at its discretion, by giving not less than 30 days notice to the Group to redeem all outstanding LeRoi Note 2 at an amount equal to 100% of the outstanding principal amount at any time after the issue date of LeRoi Note 2 together with interest accrued to the date of redemption. The conversion option held by the Group continues to be exercisable during the 30 days notice period in the event of LeRoi giving the redemption notice.

At the issue date on 5 October 2007, LeRoi Note 2 comprised of a liability component and embedded derivatives, being the conversion option and the issuer's redemption option, whose fair values as at that date were determined using discounted cash flow method and Binomial Model, respectively.

As at 31 March 2009 and 2008, the amount of unlisted convertible note due from an associate represented the liability component of LeRoi Note 2. The effective interest rate of the liability component is 6.2% per annum.

The fair value of the liability component of LeRoi Note 2 at 31 March 2009 is approximately HK$167,212,000 (2008: HK$182,100,000), as determined by a firm of independent valuers using the discounted cash flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

20. INVESTMENTS IN UNLISTED NOTES (CONTINUED)

(a) (Continued)

The inputs for the calculation of fair value of liability component of LeRoi Note 2 at the issue date using the discounted cash flow method were as follows:

	5 October 2007
Coupon rate	*3.00%*
Risk-free rate	*4.07%*
Credit spread	*1.84%*

The net fair value at 31 March 2009 of the derivatives embedded in LeRoi Note 2 amounted to HK$35,648,000 (2008: HK$288,475,000), representing the fair value of the conversion option of HK$69,484,000 (2008: HK$333,270,000) less the fair value of the issuer's redemption option of HK$33,836,000 (2008: HK$44,795,000), is shown as derivative financial instruments under non-current assets. The fair values of the derivatives embedded in LeRoi Note 2 at 31 March 2009 were determined by reference to a valuation conducted by a firm of independent valuers using Binomial Model (2008: Trinomial Option Pricing Model).

The change in the net fair values of the derivatives embedded in LeRoi Note 2 are set out below:

	HK$'000
At issue date	*23,668*
Change in fair value	*264,807*
At 31 March 2008	*288,475*
Change in fair value	*(252,827)*
At 31 March 2009	*35,648*

The inputs and methodology used for the calculation of fair values of options embedded in LeRoi Note 2 were as follows:

	31 March 2009	**31 March 2008**	**5 October 2007**
Methodology	*Binomial Model*	*Trinomial Option Pricing Model*	*Binomial Model*
Risk-free rate	*1.35%*	*1.95%*	*4.07%*
Time to maturity	*4 years*	*5 years*	*5 years*
Dividend yield	*0%*	*0%*	*0%*
Volatility	*50%*	*50%*	*43%*

The volatility used was based on the three and five year volatility of comparable companies' price return.

(b) As at 31 March 2008, the amount represented note issued by a bank. Details of the term of the bank note is as follows:

Notional amount	**Maturity date**	**Effective interest rate**
US$500,000#	*11 December 2008*	*5.125%*

 # The bank note matured and the principal was fully repaid by the bank during the year ended 31 March 2009.

21. PREPAYMENT FOR ACQUISITION OF INTEREST IN AN ASSOCIATE

In October 2007, the Group paid an amount of HK$1,200,000 to acquire the remaining 50% equity interest in an associate, Chinese Leading Limited ("Chinese Leading"), from an independent third party, for an aggregate cash consideration of HK$1,200,000. The transaction was completed on 1 April 2008 and Chinese Leading became a non-wholly-owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

22. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials and consumables	**23,461**	37,790
Work-in-progress	**3,678**	3,337
Finished goods	**53,612**	56,150
	80,751	97,277

23. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**60,130**	53,988
Less: accumulated impairment	**(16,792)**	(7,821)
	43,338	46,167
Deposits, prepayments and other receivables	**35,055**	34,166
Less: accumulated impairment	**(3,000)**	—
	32,055	34,166
Total trade and other receivables	**75,393**	80,333

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:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**18,650**	17,787
31 – 60 days	**14,844**	5,232
61 – 120 days	**7,415**	17,187
Over 120 days	**2,429**	5,961
	43,338	46,167

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 80% (2008: 63%) of the trade receivables that are neither past due nor impaired are with good credit quality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$8,646,000 (2008: HK$17,066,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2009 HK$'000	2008 HK$'000
0 – 30 days	–	–
31 – 60 days	2,333	2,455
61 – 120 days	3,884	8,650
121 – 180 days	2,429	5,961
Over 180 days	–	–
	8,646	17,066

The Group has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	7,821	902
Exchange realignment	56	86
Impairment losses recognised on trade receivables	8,915	6,833
Balance at the end of the year	16,792	7,821

Included in the allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of approximately HK$16,792,000 (2008: HK$7,821,000) and HK$3,000,000 (2008: nil), respectively, that are considered irrecoverable by the management after consideration on the credit quality of those individual customers based on the amounts subsequently received after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

At the balance sheet date, the trade and other receivables that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2009 HK$'000	2008 HK$'000
HK$	541	–
SGD	224	273
USD	26	–
RMB	9	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

24. AMOUNTS DUE FROM ASSOCIATES

	2009 HK$'000	2008 HK$'000
Amounts due from associates – within one year	3,385	5,280

Included in the amounts due from associates as at 31 March 2009 is an amount of approximately HK$1,405,000 (2008: HK$1,405,000) which represents interest receivable on investment in an unlisted note due from LeRoi. The amount is unsecured, interest-free and repayable within one year.

The remaining balances of HK$1,980,000 (2008: HK$3,875,000) represent trade receivables which are unsecured, interest-free, and the Group allows a credit period of 90 days.

The aged analysis of the trade receivables due from associates at the balance sheet date is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	1,136	3,128
31 – 60 days	809	484
61 – 120 days	35	263
	1,980	3,875

As at 31 March 2009 and 2008, substantially all of the trade receivables are neither past due nor impaired. The Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

25. INVESTMENTS HELD-FOR-TRADING

	2009 HK$'000	2008 HK$'000
Listed equity securities at fair value:		
in Hong Kong	2,656	7,254
in overseas	1,233	9,390
	3,889	16,644

At the balance sheet date, the investments held-for-trading that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2009 HK$'000	2008 HK$'000
SGD	1,233	6,361
GBP	–	1,172
EUR	–	1,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

26. PLEDGED BANK DEPOSITS

As at 31 March 2008, the amount represented deposits pledged to financial institutions to secure the equity accumulators acquired by the Group as disclosed in note 31. Deposits amounting to HK$1,599,000 were pledged to secure further acquisition of securities on the accumulator contracts that would be settled in the next twelve months and were therefore classified as current assets.

The pledged deposits carried fixed interest rate ranging from 1.40% to 5.65% per annum. The pledged deposits have been subsequently released upon the maturity of the contract of derivative financial instruments during the year ended 31 March 2009.

27. BANK BALANCES AND CASH

Bank balances and cash comprises bank balances at prevailing market interest rate and cash held by the Group, and short-term bank deposits that are interest-bearing at fixed interest rate and have an original maturity of three months or less. The bank deposits carry effective interest rates ranging from 0.001% to 0.925% (2008: 0.225% to 5.5%) per annum.

At the balance sheet date, the bank balances and cash that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2009	2008
	HK$'000	HK$'000
RMB	**947**	28
HK$	**355**	–
SGD	**294**	2,968
USD	**219**	27,474
EUR	**–**	2,287
GBP	**–**	1,215
AUD	**–**	999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$25,762,000 (2008: HK$26,684,000) and their aged analysis is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	12,610	11,512
31 – 60 days	9,704	12,134
61 – 120 days	1,766	1,126
Over 120 days	1,682	1,912
	25,762	26,684
Other payables	34,452	43,232
	60,214	69,916

The credit period on purchase of goods is 30 – 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

At the balance sheet date, the trade and other payables that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2009 HK$'000	2008 HK$'000
RMB	4,903	3,496
USD	69	2
HK$	67	–
AUD	20	12
EUR	–	70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**11**	15	**9**	13
More than one year, but not exceeding two years	**–**	11	**–**	9
	11	26	**9**	22
Less: Future finance charges	**(2)**	(4)	**–**	–
Present value of lease obligations	**9**	22	**9**	22
Less: Amount due within one year shown under current liabilities			**(9)**	(13)
Amount due after one year			**–**	9

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 31 March 2009, the effective borrowing rate is 7.1% (2008: 4.9% to 7.1%) 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.

30. BANK BORROWINGS

	2009	2008
	HK$'000	HK$'000
Secured	**62,460**	46,547
Unsecured	**924**	1,786
	63,384	48,333
The above bank borrowings are repayable as follows:		
On demand or within one year	**16,202**	12,948
More than one year, but not exceeding two years	**10,682**	9,335
More than two years, but not exceeding five years	**25,800**	11,750
More than five years	**10,700**	14,300
	63,384	48,333
Less: Amount due within one year shown under current liabilities	**(16,202)**	(12,948)
Amount due after one year	**47,182**	35,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

30. BANK BORROWINGS (CONTINUED)

Details of assets that have been pledged as collateral to secure borrowings are disclosed in note 43.

During the year, the Group obtained new bank loans in an amount of approximately HK$60.4 million (2008: HK$34.4 million). These loans carry interest at 2.95% to 7.25% (2008: 7.25%) per annum. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

	Maturity date	Effective interest rate 2009	Effective interest rate 2008	Carrying amount 2009 HK$'000	Carrying amount 2008 HK$'000
Bank borrowings comprise:					
Fixed-rate borrowing:					
6.37% secured RMB loan (1)	April 2010	**6.37%**	6.37%	**1,710**	3,597
Variable-rate borrowings:					
3-month HIBOR plus 2.25% secured HK$ loan (2)	July 2014	**3.09%**	5.42%	**28,450**	31,800
3-month HIBOR plus 2.25% secured HK$ loan (3)Δ	July 2013	**3.10%**	–	**27,000**	–
3-month HIBOR plus 2.25% secured HK$ loan (4)	May 2010	**2.95%**	5.42%	**5,000**	9,000
Singapore prime rate plus 1.75% SGD unsecured loanΔ	April and May 2009	**7.25%**	–	**924**	–
3-month HIBOR plus 2.25% secured HK$ loan	September 2009	**3.03%**	5.42%	**300**	900
1-month HIBOR plus 1.25% unsecured HK$ loan	July 2008	**–**	5.39%	**–**	929
Singapore prime rate plus 1.75% SGD unsecured loan	April and May 2008	**–**	7.25%	**–**	857
3-month HIBOR plus 1.75% secured HK$ loan	August 2008	**–**	5.92%	**–**	625
3-month HIBOR plus 1.75% secured HK$ loan	August 2008	**–**	5.92%	**–**	625
				63,384	48,333

(1) Repayable half-yearly in 5 years commencing on October 2005 to April 2010.

(2) Repayable in thirty-three instalments commencing on April 2006 to July 2014.

(3) Repayable in twenty instalments commencing on June 2008 to July 2013.

(4) Repayable in eight instalments commencing on February 2006 to May 2010.

Δ New bank loans obtained during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Equity accumulators	–	832

Major term of the equity accumulators are as follows:

Notional amount	Maturity	Securities
33,000 shares	6 November 2008	HSBC Holdings Plc. ("HSBC")
16,800 shares	16 May 2008	Lloyds TSB Group PLC ("Lloyds")
2,520 shares	9 May 2008	BNP Paribas ("BNP")

As at 31 March 2008, the amount represented forward contracts of the equity accumulators of various listed securities in Hong Kong, United Kingdom and France. The fair value of the forward contracts of the equity accumulators is determined based on valuation technique using Binomial model by the directors of the Group with reference to a valuation performed by Kroll Associates (Asia) Ltd., a firm of independent valuers. All the equity accumulators matured during the year ended 31 March 2009.

The inputs into the model are as follows:

	HSBC	Lloyds	BNP
Risk-free rate	0.91%	4.09%	3.80%
Expected volatility	30.80%	40.38%	40.93%
Expected dividend yield	5.28%	8.33%	4.60%
Spot price	HK$126.80	GBP4.51	EUR63.89
Maximum number of trading days remaining	151	34	29
Maximum number of total trading days	247	254	256

32. DEFERRED FRANCHISE INCOME

	2009 HK$'000	2008 HK$'000
At the beginning of the year	113	223
Additions during the year	100	102
Recognised during the year	(115)	(212)
At the end of the year	98	113
Less: Amount due within one year shown under current liabilities	(98)	(113)
	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

33. CONVERTIBLE LOAN STOCK

	2009	2008
	HK$'000	HK$'000
£590 9.53% unsecured convertible loan stock ("CL Stock")	**–**	8

As at 31 March 2008, the CL Stock has a nominal value of £590 divided into 590 stock units. 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.

The CL Stock carried interest at the rate of 9.53% 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 year 2008.

During the year ended 31 March 2009, the Company redeemed the CL Stock on 30 September 2008 at par and the amount remained unsettled as at 31 March 2009 and was included in other payables.

34. LOAN FROM A SHAREHOLDER

As at 31 March 2009, the amount represented short term loans drawn from the loan facility granted by Rich Time Strategy Limited ("Rich Time"), the substantial shareholder of the Company. Details of the loan facility are disclosed in note 47. The amounts are unsecured, carry interest at the prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited and repayable within one year.

The effective interest rate during the year was 5%.

35. ADVANCES FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The advances are unsecured and repayable on demand. Except for HK$3,168,000 (2008: HK$2,800,000) which bears interest at 7.02% per annum, the remaining balance is non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

36. CONVERTIBLE LOAN NOTE

On 14 August 2007, the Company issued a convertible loan note for a principal amount of HK$250,000,000 ("Convertible Note") to independent third parties through Kingston Securities Limited ("Kingston").

The conversion price was HK$0.58 per share, subject to anti-dilutive adjustment, and the initial number of ordinary shares issuable upon conversion of the Convertible Note was 431,034,482 shares, which represents 20.46% of the total number of ordinary shares of the Company issued and outstanding as of the note issuance date on a fully diluted basis.

The Convertible Note bears interest at 1% per annum and is redeemable at par on 14 August 2009. The holder of the Convertible Note shall have the right at any time after the date of issue of Convertible Note to convert any outstanding amount of the Convertible Note at denomination of HK$500,000 each into the conversion shares at the conversion price adjusted by any anti-dilutive adjustment, unless the amount remaining on exercise of the conversion options shall be less than HK$500,000 and in such event, the entire outstanding amount shall be converted.

At any time after six months of issuance of the Convertible Note, the Company shall be entitled at its discretion by giving not less than 30 days notice to the holder of the Convertible Note to redeem all outstanding Convertible Note at par together with interest accrued to the date of redemption.

At any time after issuance of the Convertible Note, the Company may purchase the Convertible Note at any price as agreed between the Company and the holder of the Convertible Note.

The convertible loan note contains two components, liability and equity elements. The equity element is presented in equity under the heading convertible loan note reserve. The effective interest rate of the liability component is 5.67% per annum.

On 11 March 2008, 40.4% of the principal amount, representing HK$101,000,000, was redeemed by the Company at a discount amounting to HK$98,475,000. The remaining principal amounts of HK$101,000,000 and HK$48,000,000 were redeemed by the Company at a discount amounting to HK$98,475,000 and HK$46,800,000 on 13 June 2008 and 18 September 2008, respectively.

The movement of the liability component of the Convertible Note is set out as below:

	HK$'000
At date of issue	223,885
Redemption during the year	(93,717)
Effective interest charged to consolidated income statement	10,041
Interest paid/payable	(2,187)
At 31 March 2008	138,022
Redemption during the year	(140,224)
Effective interest charged to consolidated income statement	2,628
Interest paid/payable	(426)
At 31 March 2009	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

37. 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$'000	Allowance for bad and doubtful debt HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2007	2,694	(108)	(589)	1,997
(Credit) charge to the consolidated income statement for the year	(845)	(983)	617	(1,211)
Acquisition of subsidiaries	(27)	–	(28)	(55)
Exchange adjustment	6	–	–	6
At 31 March 2008	1,828	(1,091)	–	737
Credit to the consolidated income statement for the year	(424)	(536)	–	(960)
Effect of change in tax rate	(102)	62	–	(40)
Exchange adjustment	(5)	–	–	(5)
At 31 March 2009	1,297	(1,565)	–	(268)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	(378)	(378)
Deferred tax liabilities	110	1,115
	(268)	737

At the balance sheet date, the Group had unused tax losses of approximately HK$123,379,000 (2008: HK$107,893,000) available to offset against future profits, of which HK$119,896,000 (2008: HK$104,410,000) has not yet been agreed by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

At 31 March 2009, the Group has deductible temporary differences of HK$20,438,000 (2008: HK$11,702,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

38. SHARE CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	Amount
		HK$'000
Authorised:		
At 31 March 2008 and 31 March 2009	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2007	1,396,347,688	13,964
Issue of shares *(Note a)*	279,000,000	2,790
At 31 March 2008	1,675,347,688	16,754
Issue of shares *(Note b)*	335,004,000	3,350
At 31 March 2009	2,010,351,688	20,104

Notes:

(a) 279,000,000 ordinary shares of HK$0.01 each of the Company held by Rich Time were placed to independent professional investors at a price of HK$0.46 each and 279,000,000 new ordinary shares of HK$0.01 each of the Company were issued and allotted to Rich Time at HK$0.46 per share under a placing and a subscription agreement entered into by the Company on 11 June 2007 and the completion of such share placement had taken place on 29 June 2007.

These shares were issued under the general mandate granted to the directors of the Company on 17 August 2006. The issue price of HK$0.46 represented a discount of approximately 17.86% to the closing price of HK$0.56 on 11 June 2007. The net proceeds of approximately HK$124.6 million from the placing and subscription agreements were used for the expansion of retail network and as general working capital.

(b) On 7 May 2008, the Company, Rich Time and Kingston entered into a placing and subscription agreement pursuant to which (i) Rich Time agreed to place, through Kingston, on a best effort basis, 335,004,000 shares of the Company to independent placees at a price of HK$0.165 per share; and (ii) Rich Time conditionally agreed to subscribe for an aggregate of 335,004,000 shares at a price of HK$0.165 per share, as detailed in the Company's announcement dated 9 May 2008. Such transactions were completed on 19 May 2008.

These shares were issued under the general mandate granted to the directors of the Company on 30 August 2007. The issued price of HK$0.165 represented a discount of approximately 11.76% to the closing price of HK$0.187 on 7 May 2008. The net proceeds of approximately HK$53.3 million from the placing and subscription were used for expansion of retail network in the PRC and Hong Kong, repayment of interest-bearing loans and as general working capital for the Group.

All the ordinary shares issued for the years ended 31 March 2009 and 2008 rank pari passu with the then existing ordinary shares in all respects.

39. SHARE OPTION SCHEME

2004 Scheme

On 18 September 2003, the Company adopted a 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 18 September 2013, 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 Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the 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 up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

39. SHARE OPTION SCHEME (CONTINUED)

2004 Scheme (Continued)

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% 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 10% of the shares in issue as at the date of adoption of the 2004 Scheme or as refreshed 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.

The following tables disclose movements of the Company's share options granted under the 2004 Scheme during the year ended 31 March 2009:

			Number of options			
Date of grant	**Exercise price per share** HK$	**Exercisable period**	**Outstanding at 1.4.2008**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31.3.2009**
Director						
Tang Mui Fun						
3.1.2007	0.415	2.1.2008 to 1.1.2012	650,000	–	–	650,000
2.1.2008	0.226	2.1.2009 to 1.1.2013	650,000	–	–	650,000
8.1.2009	0.145	8.1.2010 to 7.1.2019	–	650,000	–	650,000
			1,300,000	650,000	–	1,950,000
Employees						
3.1.2007	0.415	2.1.2008 to 1.1.2012	3,470,000	–	(400,000)	3,070,000
2.1.2008	0.226	2.1.2009 to 1.1.2013	5,850,000	–	(400,000)	5,450,000
8.1.2009	0.145	8.1.2010 to 7.1.2019	–	7,110,000	–	7,110,000
			9,320,000	7,110,000	(800,000)	15,630,000
			10,620,000	7,760,000	(800,000)	17,580,000
Exercisable at the end of the year			1,236,000			4,062,000
Weighted average exercise price			HK$0.299	HK$0.145	HK$0.321	HK$0.230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

39. SHARE OPTION SCHEME (CONTINUED)

The following tables disclose movements of the Company's share options granted under the 2004 Scheme during the year ended 31 March 2008:

			Number of options			
Date of grant	**Exercise price per share** HK$	**Exercisable period**	**Outstanding at 1.4.2007**	**Transfer to other category during the year**	**Granted during the year**	**Outstanding at 31.3.2008**
Director						
Tang Mui Fun						
3.1.2007	0.415	2.1.2008 to 1.1.2012	–	650,000	–	650,000
2.1.2008	0.226	2.1.2009 to 1.1.2013	–	–	650,000	650,000
			–	650,000	650,000	1,300,000
Employees						
3.1.2007	0.415	2.1.2008 to 1.1.2012	4,120,000	(650,000)	–	3,470,000
2.1.2008	0.226	2.1.2009 to 1.1.2013	–	–	5,850,000	5,850,000
			4,120,000	(650,000)	5,850,000	9,320,000
			4,120,000	–	6,500,000	10,620,000
Exercisable at the end of the year			–			1,236,000
Weighted average exercise price			HK$0.415	HK$0.415	HK$0.226	HK$0.299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

39. SHARE OPTION SCHEME (CONTINUED)

Details of specific categories of share options are as follows:

Date of grant	Number of options granted	Exercise price HK$	Vesting period	Exercise period
8 January 2009	2,328,000	0.145	8 January 2009 to 7 January 2010	8 January 2010 to 7 January 2019
8 January 2009	2,328,000	0.145	8 January 2009 to 7 January 2011	8 January 2011 to 7 January 2019
8 January 2009	3,104,000	0.145	8 January 2009 to 7 January 2012	8 January 2012 to 7 January 2019
	7,760,000			
2 January 2008	1,950,000	0.226	2 January 2008 to 1 January 2009	2 January 2009 to 1 January 2013
2 January 2008	1,950,000	0.226	2 January 2008 to 1 January 2010	2 January 2010 to 1 January 2013
2 January 2008	2,600,000	0.226	2 January 2008 to 1 January 2011	2 January 2011 to 1 January 2013
	6,500,000			
3 January 2007	1,236,000	0.415	3 January 2007 to 2 January 2008	3 January 2008 to 2 January 2012
3 January 2007	1,236,000	0.415	3 January 2007 to 2 January 2009	3 January 2009 to 2 January 2012
3 January 2007	1,648,000	0.415	3 January 2007 to 2 January 2010	3 January 2010 to 2 January 2012
	4,120,000			

For the year ended 31 March 2009 and 31 March 2008, no share options were exercised.

The options granted under the 2004 Scheme vest as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	Further 30% vest
On 3rd anniversary of the date of grant	Remaining 40% vest

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

39. SHARE OPTION SCHEME (CONTINUED)

During the year ended 31 March 2009, 7,760,000 (2008: 6,500,000) units of share options were granted on 8 January 2009 (2008: 2 January 2008), where the share price of the Company's share at the date of grant was HK$0.142 (2008: HK$0.220). The estimated fair value of the options granted during the year is approximately HK$645,000 (2008: HK$743,000).

These fair values were calculated by using the binomial model. The inputs into the model are as follows:

	2009	2008
Grant date	**8 January 2009**	2 January 2008
Share price	**HK$0.142**	HK$0.220
Exercise price	**HK$0.145**	HK$0.226
Expected volatility	**96%**	80%
Risk-free rate	**1.38%**	3.07%
Expected dividend yield	**0%**	0%
Sub optimal early exercise factor	**1.5 times**	1.5 times
Expected life	**10 years**	5 years

Expected volatility for the share options granted during year ended 31 March 2009 was determined by using the historical volatility of the closing price of the shares of the Company over the previous ten years (2008: one year). Based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations, a 5-year/10-year expected life was applied in the model.

The Group recognised the total expense of approximately HK$813,000 (2008: HK$277,000) for the year ended 31 March 2009 in relation to share options granted by the Company.

40. ACQUISITION OF SUBSIDIARIES

On 1 April 2008, the Group acquired 100% equity interest in 深圳市延養堂醫葯有限公司 ("延養堂") for a cash consideration of approximately HK$218,000 (equivalent to RMB200,000). The acquisition has been accounted for using the purchase method. The amount of discount on acquisition arising from the acquisition was HK$691,000.

On 1 April 2008, the Group acquired 100% equity interest in 深圳市衡潤堂貿易有限公司 ("衡潤堂") for a cash consideration of approximately HK$2,180,000 (equivalent to RMB2,000,000). The acquisition has been accounted for using the purchase method. The amount of goodwill arising from the acquisition was HK$205,000.

The fair values of the identifiable assets and liabilities of the above subsidiaries acquired during the year are not significantly different from their respective carrying amounts determined in accordance with HKFRSs immediately before the combination. Details of the identifiable assets and liabilities acquired are summarised as below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	2009		
	延養堂 HK$'000	衡潤堂 HK$'000	Total HK$'000
Net assets acquired:			
Property, plant and equipment	225	70	295
Inventories	2,906	–	2,906
Trade and other receivables	2,085	1,556	3,641
Bank and cash balances	134	362	496
Trade and other payables	(4,441)	(13)	(4,454)
	909	1,975	2,884
Goodwill	–	205	205
Discount on acquisition	(691)	–	(691)
	218	2,180	2,398
Satisfied by:			
Cash consideration paid	218	2,180	2,398
Net inflow (outflow) arising on acquisition:			
Cash consideration paid	(218)	(2,180)	(2,398)
Cash and cash equivalents acquired	134	362	496
	(84)	(1,818)	(1,902)

On 1 April 2008, the Group acquired an additional 50% equity interest in Chinese Leading for a cash consideration of HK$1,200,000. Chinese Leading then became a non-wholly-owned subsidiary of the Group. Chinese Leading engages in retailing of Chinese pharmaceutical products. This acquisition has been accounted for using the purchase method. The amount of goodwill arising from the acquisition was HK$241,000.

On 1 October 2007, the Group acquired an additional 50% equity interest in Long Richly Limited ("Long Richly") for a cash consideration of HK$325,000. Long Richly then became a non-wholly-owned subsidiary of the Group. This acquisition has been accounted for using the purchase method. The amount of goodwill arising from the acquisition was HK$66,000.

The fair values of the identifiable assets and liabilities of Chinese Leading and Long Richly acquired during the year ended 31 March 2009 and 2008, respectively, are not significantly different from their respective carrying amounts determined in accordance with HKFRSs immediately before the combination. The effect of the acquisition is summarised below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	2009 HK$'000	2008 HK$'000
Net assets acquired:		
Property, plant and equipment	1	108
Deferred tax asset	–	55
Tax recoverable	40	12
Inventories	1,617	1,091
Trade and other receivables	565	259
Bank and cash balances	100	65
Trade and other payables	(405)	(1,073)
Amounts due to shareholders	(600)	–
	1,318	517
Less: Carrying amount of interests in associate	(659)	(258)
Reclassify from amounts due from associates	300	–
	959	259
Goodwill	241	66
	1,200	325
Satisfied by:		
Cash consideration paid	–	325
Prepayment for acquisition of interest in an associate	1,200	–
	1,200	325
Net inflow (outflow) arising on acquisition:		
Cash consideration paid	–	(325)
Cash and cash equivalents acquired	100	65
	100	(260)

In November 2007, a wholly owned subsidiary of the Company acquired an additional 32% of the issued share capital of China Field for a cash consideration of HK$4,000,000 increasing its shareholding in China Field from 49% to 81%. China Field, an investment holding company, owns 64.2% equity interest in Hunan Xiangya Pharmaceutical Co., Ltd ("Hunan Xiangya"). Hunan Xiangya engages in manufacturing of Western pharmaceutical products in the PRC. This acquisition has been accounted for using the purchase method. The Group has impaired approximately HK$11,389,000 of loan balance before acquisition of China Field and its subsidiary in prior years. The reversal of the impairment loss on the loan balance was included in the discount on acquisition during the year. The amount of discount on acquisition arising from the acquisition was HK$12,324,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details of the identifiable consolidated assets and liabilities of China Field and its subsidiary acquired are summarised as below:

	2008		
	Acquiree's carrying value before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	21,982	–	21,982
Prepaid lease rental	1,570	–	1,570
Trademarks	–	3,200	3,200
Other intangible assets	–	600	600
Inventories	3,050	–	3,050
Trade and other receivables	8,051	–	8,051
Bank and cash balances	3,604	–	3,604
Trade and other payables	(8,802)	–	(8,802)
Advances from minority shareholders	(2,893)	–	(2,893)
Bank borrowing	(4,567)	–	(4,567)
	21,995	3,800	25,795
Minority interest			(6,429)
			19,366
Less: Interests acquired in previous acquisition:			
– carrying amount of interests in associates			(3,042)
			16,324
Discount on acquisition			(12,324)
			4,000
Satisfied by:			
Cash consideration paid			4,000
Net inflow (outflow) arising on acquisition:			
Cash consideration paid			(4,000)
Cash and cash equivalents acquired			3,604
			(396)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details of the aggregate assets and liabilities acquired during the current and prior years in respect of the acquisition of the above subsidiaries are summarised as below:

	2009 HK$'000
Property, plant and equipment	296
Inventories	4,523
Tax recoverable	40
Trade and other receivables	4,206
Bank and cash balances	596
Trade and other payables	(4,859)
Amounts due to shareholders	(600)
	4,202
Less: Carrying amount of interests in associates	(659)
Reclassify from amounts due from associates	300
	3,843
Goodwill	446
Discount on acquisition	(691)
	3,598
Satisfied by:	
Cash consideration paid	2,398
Prepayment for acquisition of interest in an associate	1,200
	3,598
Net inflow (outflow) arising on acquisition:	
Cash consideration paid	(2,398)
Cash and cash equivalents acquired	596
	(1,802)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	2008		
	Acquiree's carrying value before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Property, plant and equipment	22,090	–	22,090
Prepaid lease rental	1,570	–	1,570
Trademarks	–	3,200	3,200
Other intangible assets	–	600	600
Deferred tax assets	55	–	55
Tax recoverable	12	–	12
Inventories	4,141	–	4,141
Trade and other receivables	8,310	–	8,310
Bank and cash balances	3,669	–	3,669
Trade and other payables	(9,875)	–	(9,875)
Advances from minority shareholders	(2,893)	–	(2,893)
Bank borrowing	(4,567)	–	(4,567)
	22,512	3,800	26,312
Minority interest			(6,429)
			19,883
Less: Interests acquired in previous acquisition:			
– carrying amount of interests in associates			(3,300)
			16,583
Goodwill			66
Discount on acquisition			(12,324)
			4,325
Satisfied by:			
Cash consideration paid			4,325
Net inflow (outflow) arising on acquisition:			
Cash consideration paid			(4,325)
Cash and cash equivalents acquired			3,669
			(656)

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 ended 31 March 2009 contributed approximately HK$25,323,000 (2008: HK$8,576,000) to the Group's revenue and a loss of approximately HK$1,163,000 (2008: a profit of approximately HK$4,000) to the Group's loss before taxation for the period between the respective dates of acquisition and 31 March 2009.

If the acquisition had been completed on 1 April 2008, the total Group revenue for the year would have been approximately HK$496,151,000 and loss for the year would have been approximately HK$345,942,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that would actually have been achieved had the acquisitions been completed on 1 April 2008, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

41. DISPOSAL OF A SUBSIDIARY

On 21 July 2008, the Group disposed of its entire 72.86% interests in April Full Limited ("April Full") to an independent third party at a cash consideration of HK$2,000,000. In addition, pursuant to the agreement, the Group agreed to waive amounts due from April Full amounting to approximately HK$3,904,000 as part of the consideration.

The net liabilities of April Full at the date of disposal were as follows:

	2009 HK$'000
Net liabilities disposed of:	
Bank balance and cash	2
Other payables	(181)
Amounts due to the Group	(3,904)
	(4,083)
Release of translation reserve	(439)
Waiver of amounts due from April Full	3,904
Minority interest	(18)
Gain on disposal	2,636
Total consideration	2,000
Net inflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(2)
	1,998

The impact of the disposal on the Group's result and cash flow in the current year was insignificant.

42. 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 with 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.

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$6,387,000 (2008: HK$4,791,000) charged to consolidated income statement represents contributions paid and payable to these schemes by the Group in respect of the current accounting year. As at 31 March 2009, contributions of approximately HK$182,000 (2008: HK$229,000) due in respect of the reporting period had not been paid over to the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

43. PLEDGE OF ASSETS

	2009 HK$'000	2008 HK$'000
Prepaid lease payments	94,005	96,479
Buildings	9,366	11,008
Bank deposits	–	1,599
	103,371	109,086

44. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
At the balance sheet date, the Group had contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– property, plant and equipment	1,433	2,076

45. OPERATING LEASES

The Group as lessee:

The Group made minimum lease payments of approximately HK$60,114,000 (2008: HK$49,904,000) 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:

	2009 HK$'000	2008 HK$'000
Within one year	48,346	46,769
In the second to fifth years inclusive	76,909	72,676
Over five years	39,480	52,640
	164,735	172,085

Leases are negotiated for a term ranging from one to ten years. Certain leases have contingent rental payable which are based on turnover of the relevant retail shops. The contingent rent paid for the year is approximately HK$4,856,000 (2008: HK$337,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

45. OPERATING LEASES (CONTINUED)

The Group as lessor:

Property rental income earned during the year was approximately HK$2,477,000 (2008: HK$1,981,000).

At 31 March 2009, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	480	1,920
In the second to fifth years inclusive	–	480
	480	2,400

46. POST BALANCE SHEET EVENT

On 11 May 2009, the Company, Rich Time and Kingston entered into the placing and subscription agreement pursuant to which (i) Rich Time agreed to place, through Kingston, on a best effort basis, 165,000,000 shares of the Company to independent placees at a price of HK$0.088 per share; and (ii) Rich Time conditionally agreed to subscribe for an aggregate of 165,000,000 shares at a price of HK$0.088 per share. Such transactions were completed on 21 May 2009.

In addition, the Company and Kingston entered into the new issue placing agreement pursuant to which the Company agreed to allot and issue, through Kingston, on a best effort basis, 237,000,000 shares of the Company to independent placees at a price of HK$0.088 per share. Such transaction was completed on 26 May 2009.

Details of the placing and subscription agreement and the new issue placing agreement are set out in the Company's announcement dated 11 May 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

47. 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:

Nature of related party		Transactions	2009 HK$'000	2008 HK$'000
(i)	Substantial shareholder which is in a position to exercise significant influence over the Group	Loan facility granted to the Group	**30,000**	–
		Rental received by the Group	**1,920**	1,920
		Rental paid by the Group	**2,280**	660
		Management fee paid by the Group	**996**	996
		Loan interest paid by the Group	**456**	–
		Sales of pharmaceutical products by the Group	**194**	288
(ii)	Associates	Loan facility granted by the Group	**35,000**	35,000
		Sales of Chinese pharmaceutical products by the Group	**15,259**	28,853
		Effective interest income on unlisted note received by the Group	**10,019**	4,872
		Rental received by the Group	**476**	–
		Interest income received by the Group	**66**	778
		Management and promotion fees received by the Group	**1,179**	2,092

In November 2008, an unsecured loan facility with a limit of up to HK$30,000,000 was granted to the Group by the substantial shareholder, Rich Time. Such loan is interest bearing at prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited. As at 31 March 2009, the loan obtained from Rich Time was amounting to HK$25,000,000.

The loan facility granted by the Group to an associate is an unsecured loan facility with a limit of up to HK$35,000,000 granted to LeRoi. Such loan was interest bearing at 6.5% per annum. The loan was fully repaid during the year ended 31 March 2008.

(iii) Compensation of key management personnel

The remunerations of key management, which comprises directors only, during the year are as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	**3,892**	3,718
Post-employment benefits	**60**	60
Share-based payment	**107**	40
	4,059	3,818

The above remunerations were 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 consolidated balance sheet and notes 24, 34 and 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

48. LOSS OF THE COMPANY FOR THE YEAR

The loss of the Company for the year ended 31 March 2009 is HK$20,360,000 (2008: HK$9,152,000).

49. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Paid up issued/ registered ordinary share capital	Proportion of issued share/ registered capital held by the Company Directly 2009	Directly 2008	Indirectly 2009	Indirectly 2008	Principal activity
Asia Brighter Investment Limited	Hong Kong	HK$1 Ordinary share	–	–	100%	100%	Property investment
Billion Good Investment Limited	Hong Kong	HK$2 Ordinary share	–	–	99.79%	99.79%	Property holding
Bright Leading Limited	Hong Kong	HK$2 Ordinary share	–	–	100%	100%	Investment holding
CNT Health Food Pte Limited	Singapore	Singapore $1,694,737 Ordinary share	–	–	95%	100%	Production and sales of Chinese health food
China Field	Hong Kong	HK$25,000 Ordinary share	–	–	81%	81%	Investment holding
Richest Ever Limited	Hong Kong	HK$2 Ordinary share	–	–	99.79%	99.79%	Trading of Chinese pharmaceutical products
Hunan Xiangya#	PRC	RMB29,225,000 Registered capital	–	–	52%	52%	Production and sale of Western pharmaceutical products
Luxembourg Medicine Company Limited	Hong Kong	HK$434,747 Ordinary share	–	–	99.79%	99.79%	Production and sale of Western pharmaceutical and health food products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

49. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ operation	Paid up issued/ registered ordinary share capital	Proportion of issued share/ registered capital held by the Company Directly 2009	Directly 2008	Indirectly 2009	Indirectly 2008	Principal activity
Source Millennium Limited	British Virgin Islands	USD1 Ordinary share	–	–	100%	100%	Investment holding
Total Smart Investments Limited	British Virgin Islands	USD1 Ordinary share	100%	100%	–	–	Investment holding
Wai Yuen Tong (Retail) Limited	Hong Kong	HK$2 Ordinary share	–	–	99.79%	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited ("WYT Medicine Company")	Hong Kong	HK$217,374 Ordinary share HK$17,373,750 non-voting deferred *	–	–	99.79%	99.79%	Production and sale of Chinese pharmaceutical and health food products

* *The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of the WYT Medicine 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.*

\# *Sino-foreign equity joint venture established in the PRC.*

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 for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2009

50. PARTICULARS OF ASSOCIATES

Details of the Group's principal associates at 31 March 2009 and 2008 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Attributable proportion of nominal value of issued share capital indirectly held by the Company 2009	2008	Principal activity
Chinese Leading#	Incorporated	Hong Kong	Ordinary	99.79%	50%	Retailing of Chinese pharmaceutical products
Creation Sino Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Retailing of Chinese pharmaceutical products
Fortune Way Trading Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Retailing of Chinese pharmaceutical products
LeRoi*	Incorporated	Cayman Islands	Ordinary	29.97%	29.97%	Investment holding
Lucky Planning Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Retailing of Chinese pharmaceutical products
Winning Forever Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Retailing of Chinese pharmaceutical products
Venko Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Retailing of Chinese pharmaceutical products

* *Listed on the Stock Exchange. The principal activities of its subsidiaries are sale of fresh pork meat and related product, and property investment and development.*

\# *On 1 April 2008, the Group acquired an additional 50% of the issued share capital of Chinese Leading. Since then, Chinese Leading became a non-wholly-owned subsidiary of the Group.*

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2009

RESULTS

	Year ended 31 March				
	2005 HK$'000 *(note)*	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	326,909	324,756	381,266	477,021	**496,151**
(Loss) profit before taxation	(62,639)	(107,392)	10,905	85,786	**(345,764)**
Income tax (expense) credit	(5,571)	1,240	(982)	(2,404)	**(178)**
(Loss) profit for the year	(68,210)	(106,152)	9,923	83,382	**(345,942)**
Attributable to:					
Equity holders of the Company	(67,958)	(98,370)	9,895	83,767	**(345,906)**
Minority interests	(252)	(7,782)	28	(385)	**(36)**
	(68,210)	(106,152)	9,923	83,382	**(345,942)**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 March				
	2005 HK$'000 *(note)*	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	828,155	835,983	792,911	1,158,947	**753,120**
Total liabilities	(226,821)	(189,192)	(135,213)	(263,680)	**(153,571)**
	601,334	646,791	657,698	895,267	**599,549**
Equity attributable to equity holders of the Company	593,457	646,712	657,591	889,001	**592,736**
Minority interests	7,877	79	107	6,266	**6,813**
	601,334	646,791	657,698	895,267	**599,549**

Note: *The summary of the results, assets and liabilities of the Group for the year ended 31 March 2005 had been restated as a result of application of new and revised Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.*