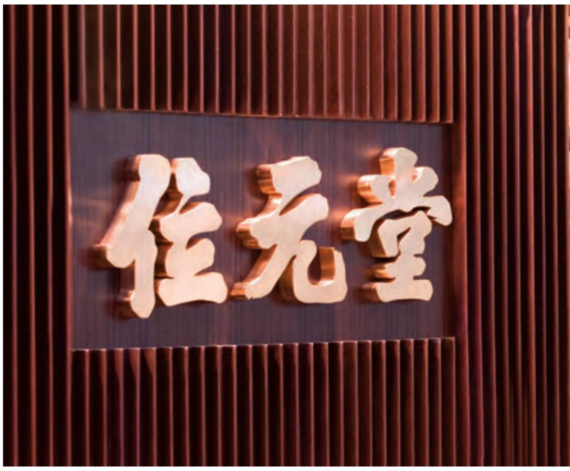
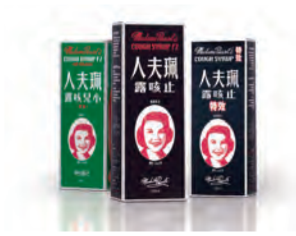
Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)







2008 Annual Report

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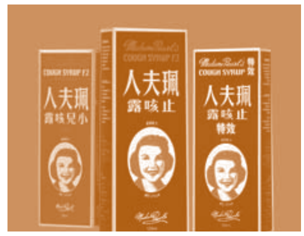

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CORPORATE INFORMATION

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

QUALIFIED ACCOUNTANT

Mr. Lao Wai Keung

PRINCIPAL BANKERS

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Mallesons Stephen Jaques
Gallant Y.T. Ho & Co.
Kirkpatrick & Lockhart Preston Gates Ellis

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

I am delighted to present on behalf of the board of directors (the "Board") of Wai Yuen Tong Medicine Holdings Limited (the "Company") the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008.

The year 2008 marked another encouraging year for the Group. In spite of intensified market competition and other challenges, both our turnover and profit attributable to equity holders attained a record high of HK$477.0 million and HK$83.8 million, representing year-on-year increases of 25.1% and 746.5%, respectively, for the year ended 31 March 2008. The basic earning per share reached approximately HK5.21 cents. The record-breaking performance has proved our efforts are fruitful and our market strategies are in line with the needs of our markets, comprising consumers of all walks of life.

In light of the favourable economic backdrop in the People's Republic of China (the "PRC") and with the privilege of being awarded the Good Manufacturing Practice recognition, the Group continued its strategic expansion program, particularly in the PRC, to expand our sales network into other potential provinces, cities and countries and enable us to optimise the synergy effect for our Chinese pharmaceutical products, Western pharmaceutical products and Chinese health food.

Continuing in the second year following the launch of its aggressive strategies in brand building, shop fittings and product renovation programs, century-old "Wai Yuen Tong" has been successful in positioning itself as the number one Chinese herbal medicine retail chain, Chinese medical practitioners network and provider of quality traditional Chinese medicine products.

The Group focused on improving our operating efficiency and concentrated our resources on research and development in product design and development. We succeeded in energising our professional image by moving into the ethical drugs market in 2007 with the launch of "Madame Pearl's" Mucolytic products and strengthening our brand as "Respiratory Specialist".

The proactive strategies further enhance public awareness of and loyalty to our products and we will continue to develop new products to cope with the diverse needs of our customers and to look for strategic partners to help develop our business.

With the confidence of independent and institutional investors, the Company successfully placed shares and convertible notes in June 2007 and May 2008 and raised net proceeds of approximately HK$423 million for further development of our business.

Looking forward, the Group is actively seeking opportunities to widen our distribution channel in the PRC and overseas in order to broaden our revenue streams so as to sustain long-term business growth. The Group will simultaneously seek to continue to serve the community well through its regular support of events organised by charity organisations.

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

Tang Ching Ho
Chairman

Hong Kong, 15 July 2008

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the financial year ended 31 March 2008, the Group's turnover was HK$477.0 million (2007: HK$381.3 million), posting a year-on-year growth of 25.1%. The Company recorded profit attributable to equity holders for the year of HK$83.8 million (2007: HK$9.9 million), a surge of 746.5%. Basic earnings per share was HK5.21 cents (2007: HK0.71 cents.)

DIVIDENDS

No interim dividend was paid during the year (2007: Nil). The Board does not recommend the payment of a final dividend for the financial year ended 31 March 2008.

BUSINESS REVIEW

During the financial year under review, the retailing and distribution of Chinese herbal medicinal and health care products in the local Hong Kong market continued to experience intensified market competition. The Group continued to adhere to the direction set forth in the strategic expansion program rolled out in late 2006 and focus on improving the operating efficiency. As a result, the Group's major operating divisions of Chinese pharmaceutical products, Western pharmaceutical and health products and Chinese health food business achieved double-digit growth in turnover of 25.1% to HK$477.0 million.

Chinese Pharmaceutical Products

Turnover for the year under review reached a record high of HK$335.5 million (2007: HK$271.2 million), representing an increase of 23.7% as compared with last year. Stepping into the second year launch of the "Wai Yuen Tong" brand rejuvenation program, more retail outlets were refurbished with the new visual image, products were repackaged with new brand icon designs and retail outlets' visual merchandising were rejuvenated by displaying instore promotional signages carrying the new image. All these interactive marketing and brand reinforcement activities continued to bring success in raising public awareness of the brand. Its number one positioning in Chinese herbal medicine retail chain, Chinese medical practitioners network and provider of the best quality traditional Chinese medicine products was strengthened.

Western Pharmaceutical Products

On 9 November 2007, the Group acquired a further 32% interest in its associated company, China Field Enterprises Limited ("China Field"), at a consideration of HK$4.0 million. China Field became a subsidiary of the Company as a result. China Field was an investment holding company and held 64.2% equity interest in a non wholly-owned subsidiary, Hunan Xiangya Pharmaceutical Co. Ltd ("Hunan Xiangya") immediately following the disposal of 15.8% interest in Hunan Xiangya. After completion of the aforesaid acquisition and disposal, the effective interest of the Group in Hunan Xiangya increased from 39% to 52%. Hunan Xiangya is principally engaged in the production of Western pharmaceutical products.

The turnover of Western pharmaceutical and health products grew 28.6% from HK$75.2 million to HK$96.7 million. 17.2% of the growth came from the sales of the core products of cough syrup through the sales channels and network spread over Hong Kong and 18 provinces in the PRC. Additional turnover of HK$8.6 million came from Hunan Xiangya, a previous associated company, which became a subsidiary with the Group's effective shareholding in Hunan Xiangya increasing from 39% to 52% on 9 November 2007, accounting for 11.4% of the growth. The launch of advertising campaigns targeting to re-energise the classic brand of "Madame Pearl's" and the successful launch of "Madame Pearl's" Mucolytic products in October 2007 in hospitals and clinics in Hong Kong and Macau, has not only lifted its classic brand image to professional image, but also strengthened the brand position of "Madame Pearl's" as the "Respiratory Specialist" and given the management the confidence of exploring new channels for continued development in more professional products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Chinese Health Food Business

The Group's business of manufacture of Chinese health food is operated through the production arm of CNT Health Food Pte Limited ("CNT") in Singapore. The revenue for the year under review was HK$44.8 million (2007: HK$33.0 million), up by 35.8%. Its tightened efforts in monitoring the purchasing function and wastage reduction program led to improvement in gross profit margin.

Investment in LeRoi Holdings Limited

LeRoi Holdings Limited ("LeRoi"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is currently engaged in the sale of fresh pork meat and related products, property investment and development in Hong Kong and the PRC.

In July 2007, the Group subscribed for an additional HK$7 million convertible notes issued by LeRoi and the Group's holding in other convertible notes previously issued by LeRoi with an aggregate amount of HK$10 million was disposed of during the year.

On 6 August 2007, the Group entered into a subscription agreement with LeRoi to subscribe for (i) 2,100,000,000 new shares in LeRoi at the subscription price of HK$0.10 per share; and (ii) convertible bonds with a principal amount of HK$190 million which are convertible into 1,583,333,333 shares of LeRoi at an initial conversion price of HK$0.12 per share (subject to adjustment). Completion took place on 5 October 2007. As at the date of this annual report, the Company held a 29.97% equity interest in LeRoi.

FINANCIAL REVIEW

Liquidity, Capital Structure and Gearing

With a view to obtaining higher flexibility to capture investment opportunities which may arise at any time and require prompt investment decision by the Group, the Group raised additional funding through debt and equity financing and thus was able to consistently maintain sufficient working capital. As at 31 March 2008, the Group's total borrowings, comprising bank borrowings and overdrafts, amounted to HK$48.3 million (2007: HK$59.2 million). Net cash balance reached HK$100.0 million (2007: HK$236.6 million).

The gearing ratio, defined as the ratio of total borrowings to equity attributable to equity holders, was approximately 5.4% (2007: 9.0%).

Fund Raising Activities

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company for the expansion of the Group's retail network in the PRC and Hong Kong and for potential acquisitions and general working capital purposes, the Company entered into placing agreements on 11 June 2007 and raised net proceeds of approximately HK$370 million through a top-up placing of 279 million shares to independent investors at the price of HK$0.46 per share and the placing of convertible notes (the "Notes") with an aggregate principal amount of HK$250 million (as detailed in the Company's announcement dated 11 June 2007), which were fully completed on 14 August 2007.

On 11 March 2008 and 13 June 2008, the Company redeemed certain of the Notes with an aggregate principal amount of HK$202 million at a discount of 2.5% of the face value. The redemptions were financed by the Company's internal resources. As at the date of this annual report, there was outstanding HK$48 million of the Notes.

Subsequent to the balance sheet date, on 7 May 2008, the Group entered into a further top-up placing and subscription arrangement with a placing agent to place approximately 335 million shares of the Company to independent investors at a price of HK$0.165 per share which was fully completed on 19 May 2008. The net proceeds of approximately HK$53.3 million were intended to be applied for repayment of interest-bearing loans, the expansion of retail network in the PRC and Hong Kong and the general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign Exchange

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

EMPLOYEES

At the balance sheet date, the Group employed 638 employees, of which approximately 71% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$87.5 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 makes available a share option scheme to its employees.

PROSPECTS

The Group sees stable growth in the market for Chinese pharmaceutical products in Hong Kong and more market growth in mainland China market. The Group will accelerate the expansion of retail outlets based on the business platform established over the last two years.

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

In the field of Chinese health food business, the Group continues to enjoy the leadership position, and has also been the single largest bottled bird's nest contract manufacturer in Singapore for many years. The Group is aggressively looking for strategic partners to help us expand into mainland China and overseas Chinese communities.

The Group considers that it is essential to continue to focus on the reinforcement of brand positioning, continuing product development, expanding distribution network and upholding of quality management so as to achieve sustainable growth in our business and profitability. In addition, the Group keeps actively looking for acquisition targets that have synergy to our existing businesses.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, aged 46, 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.

Mr. Chan Chun Hong, Thomas, aged 44, 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 and 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 Stock Exchange.

Ms. Tang Mui Fun, aged 37, joined the Group in 2000 and was appointed as the Executive Director of the Company in September 2007. She is responsible for the marketing strategy and management of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Ms. Tang is currently a director and general manager of Wai Yuen Tong Medicine Company Limited, a principal subsidiary of the Company. 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. Ms. Tang is a sister of Mr. Tang Ching Ho, the Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Ho, aged 58, 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 42 years' and 13 years' experiences in the watch industry and financial industry respectively. He is a Standing Committee Member of The Chinese General Chamber of Commerce, a Standing Committee Member of The Chinese Manufacturers' Association of Hong Kong, 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 Honorary President of Hong Kong Chamber of Commerce in China – Guangdong and the President of Dongguan City Association of Enterprises with Foreign Investment.

Mr. Yuen Chi Choi, aged 47, joined the Company as an Independent Non-executive Director of the Company 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 17 years of audit experience.

Mr. Siu Man Ho, Simon, aged 34, joined the Company as an Independent Non-executive Director of the Company 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 67, joined the Company as an Independent Non-executive Director of the Company 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 is the Business Development Director of Luxembourg Medicine Company Limited and joined the Group in April 2005. He is responsible for the business development of the Group's western pharmaceutical and health products business in both Hong Kong and mainland China. 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 22 years' experience in the pharmaceutical industry.

Ms. Wong Shuk Fong, Jaime is currently the General Manager of Wai Yuen Tong Medicine Company Limited. Ms. Wong has extensive experience in general management, sales and marketing, and had been engaged in the strategic direction in FMCG and Chinese medicinal industries for over 20 years. With her innovative marketing strategies, such companies have successfully established their brand with a strong position among their counterparts. Ms. Wong has also been stationed in mainland China, the U.S. and Australia prior to joining the company. Wai Yuen Tong Medicine Company Limited is hence expecting further growth with her international horizon and extensive marketing practice.

Mr. Lao Wai Keung is the Qualified Accountant and Assistant 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 mainland China.

Mr. Lung Chi Ho, Markus is the General Manager (Technical Operation) and Pharmacist of the Company. He is in charge of all aspects in the manufacturing plant including quality control, quality assurance, production, research and development, engineering, warehouse and logistic issues. Prior to joining the Group in March 2002, he had over 6 years' experience working in a local GMP pharmaceutical plant. He graduated from The Chinese University of Hong Kong with a bachelor degree in pharmacy and also obtained a bachelor degree in pharmacy in Chinese Medicines at the University of Hong Kong.

Ms. Law Yin Man is the Director of Wai Yuen Tong Medicine Company Limited in mainland China. 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 7 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 2008.

The Company will continue to seek 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board currently comprises three executive Directors and four independent non-executive Directors. 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 *(Appointed on 14 September 2007)*

Independent non-executive Directors

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

The biographical details of the Directors are set out on page 7 of this annual report. 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 independent non-executive Directors in Board meetings facilitate the maintenance of good corporate governance practices. At least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rule 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.

All independent non-executive Directors are free from any business or other relationship with the Company. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the four independent non-executive Directors 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 operation 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 a few days before the date of Board meeting to ensure that the Directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to Directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. 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:

Directors		**Attendance**
Mr. Tang Ching Ho		4/4
Mr. Chan Chun Hong, Thomas		4/4
Ms. Tang Mui Fun	*(Appointed on 14 September 2007)*	3/3
Mr. Leung Wai Ho		4/4
Mr. Yuen Chi Choi		4/4
Mr. Siu Man Ho, Simon		4/4
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 Managing Director, in that the Chairman bears primary responsibility for the functioning 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, which are kept by the company secretary of the Company, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations, where appropriate.

AUDIT COMMITTEE

The role of the Audit Committee is to review the Group's financing reporting, internal controls and to make relevant recommendations to the Board. 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.

During the year, the Audit Committee comprises the four independent non-executive Directors, 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 of the Company.

The Audit Committee shall meet 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	2/2
Mr. Cho Wing Mou	2/2

The Audit Committee had reviewed with the management and the external auditors the financial statements for the year ended 31 March 2008.

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in September 2005 with specific written terms of reference which deal with its authority and duties. 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 independent non-executive Directors. Mr. Siu Man Ho, Simon was elected as the Chairman of the Remuneration Committee.

The Remuneration Committee's role 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 shall meet 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 in 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 independent non-executive Directors. 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.

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"), are set out as follows:

Services rendered for the Group	**Fees paid/payable to Deloitte**
	HK$000
Audit services	
— For annual financial statements	2,357
Non-audit services:	
— Taxation and professional services	762
Total	**3,119**

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.

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 page 20 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.

INTERNAL CONTROL

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.

During the year, the Board reviewed the internal control systems and found that the Company has established high level controls of the strategic management, core business and resources management processes and risk management function.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The 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 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 91.

The Directors do not recommend the payment of a final dividend in respect of the year.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 31 March 2008 are set out on pages 89 and 91 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE LOAN NOTES

Details of movements in the share capital, share options and convertible loan notes of the Company during the year, together with the reasons therefor, are set out in notes 39, 40 and 37 to the financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interest of the Group for the last five financial years, as extracted from the Company's audited financial statements, prepared on the basis set out therein is set out on page 92 of this annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTY

Details of the investment property of the Group during the year is set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, certain items of property, plant and equipment with an aggregate amount of approximately HK$22.1 million were acquired as a result of the acquisition of subsidiaries.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution to shareholders was approximately HK$81,992,000 (2007: HK$86,600,000) which represented the net balance of contributed surplus of approximately HK$18,494,000 (2007: HK$18,494,000), general reserves of approximately HK$218,508,000 (2007: HK$218,508,000) and accumulated losses of approximately HK$155,010,000 (2007: HK$150,402,000).

DIRECTORS

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

Executive Directors:

Tang Ching Ho
Chan Chun Hong, Thomas
Tang Mui Fun *(Appointed on 14 September 2007)*

Independent non-executive Directors:

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

In accordance with bye-laws 86(2) and 87 of the Company's bye-laws, Ms. Tang Mui Fun, Mr. Leung Wai Ho and Mr. Yuen Chi Choi shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmations of independence from all independent non-executive Directors 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 the 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 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 48 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 2008, 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)*	1,300,000	1,300,000	0.08

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

On 2nd anniversary of the date of grant	*30% vest*
On 3rd anniversary of the date of grant	*Further 30% vest*
On 4th anniversary of the date of grant	*Remaining 40% vest*

Save as disclosed above, as at 31 March 2008, 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

During the year under review, the Company granted 6,500,000 share options under the share option scheme adopted by the shareholders of the Company on 18 September 2003 and no share options were exercised, lapsed and cancelled during the year. As at the date of this report, the total number of shares available for issue under the Company's share option scheme is 129,014,768, representing 6.42% 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.

Particulars of the Company's share option schemes are set out in note 40 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in the share option scheme disclosures in note 40 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.

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

As at 31 March 2008, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows 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)*	474,209,324	28.31
Wang On Enterprises (BVI) Limited ("WOE") *(Note 2)*	474,209,324	28.31
Rich Time Strategy Limited ("Rich Time") *(Note 2)*	474,209,324	28.31

Notes:

1. *The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2008 of 1,675,347,688 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 474,209,324 shares held by Rich Time.*

Save as disclosed above, as at 31 March 2008, 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.

REPORT OF THE DIRECTORS (CONTINUED)

CONNECTED TRANSACTIONS

Following the disposal of Conful Limited on 27 March 2007, the Company leased back the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "Premises") from Conful Limited and entered into a tenancy agreement with Denox 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. This transaction constituted connected transaction for the Company under Chapter 14A of the Listing Rules.

Further details of this transaction are set out in note 48 to the financial statements. Pursuant to Rule 14.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board.

The independent non-executive Directors confirm that the transaction has 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 agreements governing such transaction 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.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by 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 40 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 20% of the Group's turnover.

During the year, the largest supplier accounted for 17% of the Group's purchases and the five largest suppliers of the Group accounted for 45% 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, have any beneficial interest in any of the Group's five largest suppliers.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$0.1 million (2007: HK$0.2 million).

REPORT OF THE DIRECTORS (CONTINUED)

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. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 9 to 13 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 public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

POST BALANCE SHEET EVENT

Details of significant events of the Group occurring after the balance sheet date are set out in note 47 to the financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 March 2008 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, 15 July 2008

INDEPENDENT AUDITORS' 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 22 to 91, which comprise the consolidated balance sheet as at 31 March 2008, 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 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 AUDITORS' 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 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**477,021**	381,266
Cost of sales		**(255,612)**	(205,952)
Gross profit		**221,409**	175,314
Other income	9	**26,938**	17,649
Selling and distribution costs		**(151,679)**	(118,004)
Administrative expenses		**(87,332)**	(64,922)
Finance costs	10	**(13,056)**	(6,085)
Change in fair value of derivative financial instruments	33	**(832)**	–
Change in fair value of options embedded in an unlisted note	23	**264,807**	–
Discount on acquisition of a subsidiary		**12,324**	–
Gain on deemed disposal of partial interest in an associate		**8,360**	–
Impairment loss recognised in respect of goodwill		**(180,859)**	(49,558)
Share of results of associates		**(14,294)**	(705)
Gain on disposal of a subsidiary		**–**	100,618
Impairment loss recognised in respect of an associate		**–**	(36,863)
Allowance for amount due from an associate		**–**	(6,389)
Loss on disposal of investment properties		**–**	(150)
Profit before taxation	11	**85,786**	10,905
Income tax expense	13	**(2,404)**	(982)
Profit for the year		**83,382**	9,923
Attributable to:			
Equity holders of the Company		**83,767**	9,895
Minority interests		**(385)**	28
		83,382	9,923
Earnings per share	14		
– Basic		**5.21 cents**	0.71 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment property	15	–	–
Property, plant and equipment	16	56,314	37,229
Prepaid lease payments	17	96,277	97,503
Goodwill	18	25,271	206,064
Interests in associates	19	209,043	4,872
Amounts due from associates	20	–	20,000
Derivative financial instruments	23	333,270	207
Other intangible assets	21	4,604	1,100
Long-term bank deposits	22	–	7,813
Investments in unlisted notes	23	168,363	6,749
Prepayment for acquisition of interest in an associate	24	1,200	–
Deposit for acquisition of property, plant and equipment		910	–
Deferred tax assets	38	378	57
		895,630	381,594
CURRENT ASSETS			
Inventories	25	97,277	67,059
Trade and other receivables	26	80,333	69,346
Prepaid lease payments	17	2,762	2,500
Amounts due from associates	20	5,280	9,525
Prepayment for an investment	24	–	9,378
Tax recoverable		309	435
Investments in unlisted notes	23	3,889	1,974
Investments held-for-trading	27	16,644	14,475
Pledged deposits	28	1,599	–
Bank balances and cash	29	100,019	236,625
		308,112	411,317
CURRENT LIABILITIES			
Trade and other payables	30	69,916	73,228
Tax payable		2,289	426
Obligations under finance leases	31	13	29
Bank borrowings	32	12,948	15,368
Derivative financial instruments	33	832	–
Deferred franchise income	34	113	223
Convertible loan stock	35	8	8
Advances from minority shareholders of a subsidiary	36	3,030	–
		89,149	89,282
NET CURRENT ASSETS		218,963	322,035
TOTAL ASSETS LESS CURRENT LIABILITIES		1,114,593	703,629

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	31	**9**	22
Derivative financial instruments	23	**44,795**	–
Convertible loan note	37	**138,022**	–
Bank borrowings	32	**35,385**	43,855
Deferred tax liabilities	38	**1,115**	2,054
		219,326	45,931
NET ASSETS		**895,267**	657,698
CAPITAL AND RESERVES			
Share capital	39	**16,754**	13,964
Reserves		**872,247**	643,627
Equity attributable to equity holders of the Company		**889,001**	657,591
Minority interests		**6,266**	107
TOTAL EQUITY		**895,267**	657,698

The consolidated financial statements on pages 22 to 91 were approved and authorised for issue by the Board of Directors on 15 July 2008 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 2008

	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 2006	13,964	551,881	(27,150)	218,508	–	1,164	–	(111,655)	646,712	79	646,791
Exchange differences arising on translation of foreign operations	–	–	–	–	–	864	–	–	864	–	864
Share of translation reserve of associates	–	–	–	–	–	68	–	–	68	–	68
Net income recognised directly in equity	–	–	–	–	–	932	–	–	932	–	932
Profit for the year	–	–	–	–	–	–	–	9,895	9,895	28	9,923
Total recognised income for the year	–	–	–	–	–	932	–	9,895	10,827	28	10,855
Issue of share options	–	–	–	–	52	–	–	–	52	–	52
At 31 March 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

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 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	85,786	10,905
Adjustments for:		
Depreciation of property, plant and equipment	14,966	15,927
Change in fair value of derivative financial instruments	832	–
Change in fair value of options embedded in an unlisted note	(264,807)	–
Finance costs	13,056	6,085
Loss on disposal of investment properties	–	150
Gain on disposal of a subsidiary	–	(100,618)
Discount on an acquisition of a subsidiary	(12,324)	–
Allowance for obsolete stock	2,286	1,374
Impairment loss recognised in respect of goodwill	180,859	49,558
Allowance for amount due from an associate	–	6,389
Amortisation of prepaid lease payments	2,612	3,512
Amortisation of other intangible assets	409	154
Interest income	(16,699)	(6,002)
Loss on disposal of property, plant and equipment	63	–
Gain on disposal of investments in unlisted notes	(1,945)	–
Net fair value gain on investments held-for-trading	(1,460)	(6,291)
Loss on derivative financial instruments	–	100
Recognition (reversal) of allowance for trade and other receivables	6,833	(2,463)
Decrease in deferred franchise income	(110)	(29)
Gain on deemed disposal of partial interest in an associate	(8,360)	–
Share-based payment expenses	277	52
Share of results of associates	14,294	705
Impairment loss recognised in respect of an associate	–	36,863
Operating cash flows before movements in working capital	16,568	16,371
(Increase) decrease in inventories	(28,152)	663
Increase in trade and other receivables	(8,016)	(6,934)
Decrease in amounts due from associates	4,245	3,316
(Increase) decrease in investments held-for-trading	(709)	6,307
(Decrease) increase in trade and other payables	(15,922)	98,600
Cash (used in) generated from operations	(31,986)	118,323
Interest received	10,810	4,913
Hong Kong Profits Tax (paid) refund	(1,397)	233
Overseas taxation (paid) refund	(235)	31
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(22,808)	123,500

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Investment in an associate		(210,000)	–
Purchase of investments in unlisted notes		(197,000)	(8,875)
Purchase of property, plant and equipment		(10,813)	(7,990)
Repayment of prepayment paid for an investment		9,378	–
(Increase) decrease in pledged deposits		(1,599)	42,703
Acquisition of subsidiaries, net of cash and cash equivalents acquired	41	(656)	10
Purchase of trademarks		(113)	(38)
Repayment from an associate		20,000	2,000
Proceeds from disposal of unlisted notes		14,000	–
Decrease in long-term bank deposits		7,813	–
Interest received		3,307	1,089
(Increase) decrease in prepayment for acquisition of interest in an associate		(1,200)	2,326
Increase in deposit for acquisition of property, plant and equipment		(910)	–
Proceeds from disposal of a subsidiary	42	–	100,061
Proceeds from disposal of investment properties		–	8,950
Dividend income from associates		–	301
Acquisition of an associate		–	(35,545)
Advance to associates		–	(20,600)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(367,793)	84,392
FINANCING ACTIVITIES			
Proceeds from issue of convertible loan note		250,000	–
Proceeds from issue of shares, net of expenses		124,623	–
New bank loans raised		34,428	43,240
Redemption of convertible loan note		(98,475)	–
Repayments of bank borrowings		(50,114)	(116,158)
Issue cost of convertible loan note		(3,750)	–
Interest paid		(3,015)	(6,085)
Repayments of obligations under finance leases		(29)	(348)
Dividends paid to minority shareholders		(10)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		253,658	(79,351)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(136,943)	128,541
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		236,625	108,008
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		337	76
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		100,019	236,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 50.

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), 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, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

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

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7, retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

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, amendment or interpretations that have been issued but are not yet effective.

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

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 January 2008*
4 *Effective for annual periods beginning on or after 1 July 2008*

The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group, except for the adoption of HKFRS 3 may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and 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 Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the 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.

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 consolidated income statement.

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 other 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 form 1 January 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 identified impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated 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.

Trademarks

On initial recognition, trademarks are recognised at cost. After initial recognition, trademarks which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trademarks is provided on a straight-line basis over their estimated useful lives.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 immediately.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the 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 leases 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.

Revenue recognition

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

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.

Advertising, 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 2008

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 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 ("FVTPL")) 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 FVTPL are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified into financial assets at 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 through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

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 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 consolidated income statement in the period in which they arise. The net gain or loss recognised in consolidated income statement 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, debt portion of investments in unlisted notes, long-term bank deposits, pledged deposit 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 impacted.

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.

An impairment loss is recognised in consolidated income statement 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 2008

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 receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated income statement.

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. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial 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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group comprises financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

Other financial liabilities

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

Convertible loan note

Convertible loan note issued by the Group that contains 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible loan note (Continued)

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 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 conversion 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.

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.

Equity instruments

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

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 statement.

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 consolidated income statement.

Research and development

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

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

Where no internally-generated intangible asset can be recognised, development expenditure is charged to the consolidated income statement in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, being their fair value at the date of the revaluation less subsequent 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets above).

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 translation of monetary items, are recognised in consolidated income statement 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.

Employee benefits

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans and stated-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, if any, is recognised in consolidated income statement with a corresponding adjustment to share options 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.

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 2008

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 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 2008, the carrying amount of goodwill is approximately HK$25,271,000 (2007: HK$206,064,000). Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment of interests in associates

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows expected to arise from the associates and a suitable discount rate in order to calculate the present value. As at 31 March 2007, an amount of HK$36,863,000 (2008: Nil) of interests in the associate was impaired and charged to consolidated income statement.

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	**2008 HK$'000**	2007 HK$'000
Conversion option embedded in unlisted notes	*23*	**333,270**	207
Issuer's redemption option embedded in unlisted notes	*23*	**(44,795)**	–
Equity accumulators	*33*	**(832)**	–
		287,643	207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

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 associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, 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

	2008 HK$'000	2007 HK$'000
Financial assets		
Held for trading	**16,644**	14,475
Derivative financial instruments classified as FVTPL	**333,270**	207
Loans and receivables (including cash and cash equivalents)	**354,238**	347,103
Financial liabilities		
Amortised cost	**235,370**	110,746
Derivative financial instruments classified as FVTPL	**45,627**	–

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 payables, bank borrowings, derivative financial instruments, convertible loan note, bank balances and cash 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

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 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 group entities' functional currency, whilst almost 79% of purchase costs are denominated in the 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 reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**3,496**	342	**28**	27
Singapore dollar ("SGD")	**–**	–	**9,602**	3,548
Euro ("EUR")	**70**	–	**4,143**	3,179
Australian dollar ("AUD")	**12**	14	**999**	–
Great Britain Pound ("GBP")	**8**	8	**2,387**	–
United States Dollar ("USD")	**2**	–	**31,371**	22,370

Sensitivity analysis

The Group is mainly exposed to the foreign exchange rates fluctuation of RMB, SGD and EUR against the functional currency of certain representive group entities. The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of certain representive 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. 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 number below indicates an increase in profit where HKD weaken 5% against the relevant currencies. For a 5% strengthening of HKD against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	SGD Impact		EUR Impact		AUD Impact		RMB Impact		GBP Impact	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit for the year	**397**	146	**168**	131	**41**	(1)	**(149)**	(13)	**98**	–

The Group's sensitivity of fluctuation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 32 for details of these borrowings) and variable-rate bank deposits. It is the Group's policy to keep its borrowings and bank deposits 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 32 for details of this borrowing), fixed-coupon rate unlisted notes (see note 23) and fixed coupon rate convertible loan note (see note 37).

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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, 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 profit would decrease/increase by approximately HK$99,000 for the years ended 31 March 2008 (2007: HK$340,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

For derivative financial instruments, the sensitivity analysis below shows the impact on the Group's profit for the year which has been determined assuming that interest rate had been 50 basis points higher and all other variables were held constant.

	Increase in profit for the year HK$'000
At 31 March 2008	3,758
At 31 March 2007	98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(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 27.

The Group is also exposed to equity price risk on the options embedded in unlisted notes because of the fluctuation on the 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.

Sensitivity analysis

The sensitivity analyses below have 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 profit would increase/decrease by approximately HK$769,000 for the year ended 31 March 2008 (2007: HK$630,000).

For derivative financial instruments in relation to investments in unlisted convertible notes due from an associate, LeRoi, the sensitivity analysis has been determined assuming that the stock price of LeRoi had been increased/decreased by 5% and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$23,557,000 for the year ended 31 March 2008 (2007: HK$131,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

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.

	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 2008								
Trade and other payables	–	40,985	2,874	2,096	–	–	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
Obligation under finance leases	6.02	–	–	15	11	–	26	22
Bank borrowings								
– variable rate	5.95	4,507	2,886	4,939	18,392	19,583	50,307	44,736
– fixed rate	6.37	–	–	3,131	737	–	3,868	3,597
	–	45,492	6,505	14,167	168,761	19,583	254,508	235,370
Derivative – net settlement								
Equity accumulators	–	–	502	330	–	–	832	832

	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 2007								
Trade and other payables	–	51,217	–	247	–	–	51,464	51,464
Convertible loan stock	9.53	–	8	–	–	–	8	8
Obligation under finance leases	8.15	–	–	34	24	–	58	51
Bank borrowings								
– variable rate	5.31	4,865	4,477	8,657	31,868	19,583	69,450	59,223
		56,082	4,485	8,938	31,892	19,583	120,980	110,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group's principal financial assets are investments in unlisted notes, amounts due from associates, long-term bank deposits, trade and other receivables, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2008 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$5,280,000 (2007: HK$29,525,000). In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and balance with each associate 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 long-term bank deposits and 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 the unlisted convertible loan notes due from an associate and the equity accumulators in notes 23 and 33, respectively, are determined based on the valuation model shown on respective notes; and

- the fair value of the investments held-for-trading in note 27 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 financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

7. REVENUE

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

	2008	2007
	HK$'000	HK$'000
Sales of goods	**472,564**	374,990
Management, advertising and promotion fees	**4,457**	4,457
Rental income generated from investment properties	**–**	1,819
	477,021	381,266

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; (iii) production and sale of bottled birds' nest drinks and herbal essence products; and (iv) property investments and property holding. These divisions are the basis on which the Group reports its primary segment information.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

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		Property investments and property holding		Elimination		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE												
External sales	**335,532**	271,236	**96,701**	75,158	**44,788**	33,053	**-**	1,819	**-**	–	**477,021**	381,266
Inter segment sales *	**2,884**	3,577	**76**	31	**24,752**	21,938	**-**	4,096	**(27,712)**	(29,642)	**-**	–
	338,416	274,813	**96,777**	75,189	**69,540**	54,991	**-**	5,915	**(27,712)**	(29,642)	**477,021**	381,266
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	**272**	7,771	**2,666**	9,410	**5,539**	(1,004)	**-**	97,190			**8,477**	113,367
Impairment losses recognised in respect of goodwill	**(80,707)**	(37,843)	**(95,802)**	(11,715)	**(4,350)**	–	**-**	–			**(180,859)**	(49,558)
Segment results	**(80,435)**	(30,072)	**(93,136)**	(2,305)	**1,189**	(1,004)	**-**	97,190			**(172,382)**	63,809
Other income											**26,938**	17,649
Unallocated corporate expenses											**(26,079)**	(20,511)
Finance costs											**(13,056)**	(6,085)
Allowance for amount due from an associate											**-**	(6,389)
Discount on acquisition of a subsidiary											**12,324**	–
Gain on deemed disposal of partial interest in an associate											**8,360**	–
Change in fair value of derivative financial instruments											**(832)**	–
Change in fair value of options embedded in an unlisted note											**264,807**	–
Share of results of associates											**(14,294)**	(705)
Impairment loss recognised in respect of an associate											**-**	(36,863)
Profit before taxation											**85,786**	10,905
Income tax expense											**(2,404)**	(982)
Profit for the year											**83,382**	9,923

* *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 2008

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		Property investments and property holding		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES										
ASSETS										
Segmental assets before goodwill	250,414	231,587	60,397	26,733	22,330	13,757	-	–	333,141	272,077
Goodwill	11,971	92,612	13,300	109,102	-	4,350	-	–	25,271	206,064
Segment assets	262,385	324,199	73,697	135,835	22,330	18,107	-	–	358,412	478,141
Interests in associates									209,043	4,872
Unallocated corporate assets									636,287	309,898
Consolidated total assets									1,203,742	792,911
LIABILITIES										
Segmental liabilities	41,365	53,100	18,024	8,564	7,764	5,641	-	–	67,153	67,305
Unallocated corporate liabilities									241,322	67,908
Consolidated total liabilities									308,475	135,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

Consolidated Balance Sheet (Continued)

	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		Property investments and property holding		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
OTHER INFORMATION										
Capital expenditure	**9,551**	7,176	**874**	–	**501**	13	**–**	839	**10,926**	8,028
Capital expenditure through acquisition of subsidiaries	**174**	618	**25,782**	–	**–**	–	**–**	–	**25,956**	618
Depreciation of property, plant and equipment	**12,734**	13,531	**1,559**	363	**673**	726	**–**	1,307	**14,966**	15,927
Amortisation of other intangible assets	**159**	154	**250**	–	**–**	–	**–**	–	**409**	154
Recognition (reversal) of allowance for trade and other receivables	**2,763**	(2,474)	**3,522**	(4)	**548**	15	**–**	–	**6,833**	(2,463)
Allowance (written back) for inventories	**1,865**	479	**421**	(283)	**–**	1,178	**–**	–	**2,286**	1,374

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:

	2008 HK$'000	2007 HK$'000
Hong Kong	**344,557**	284,270
The PRC, other than Hong Kong	**75,316**	53,567
Singapore	**31,744**	21,995
Others	**25,404**	21,434
	477,021	381,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**278,072**	447,810	**9,726**	8,633
The PRC, other than Hong Kong	**59,484**	12,274	**26,641**	–
Singapore	**14,482**	12,980	**501**	13
Others	**6,374**	5,077	**14**	–
	358,412	478,141	**36,882**	8,646

9. OTHER INCOME

	2008	2007
	HK$'000	HK$'000
Exchange gain, net	**407**	684
Fair value gain on investments held-for-trading, net	**1,460**	6,291
Franchise income	**212**	418
Gain on disposal of investments in unlisted notes	**1,945**	–
Interest income from loans to associates	**778**	68
Interest income on bank deposits	**10,810**	5,640
Interest income on investment in unlisted notes from financial institutions	**239**	250
Effective interest income in an unlisted note due from an associate	**4,872**	44
Processing fee income	**1,071**	2,183
Rental income	**1,981**	90
Sundry income	**3,163**	1,981
	26,938	17,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	744	3,361
Bank borrowings not wholly repayable within five years	2,201	2,689
Effective interest expense on convertible loan note	10,041	–
Convertible loan stock	1	1
Finance leases	4	34
Others	65	–
	13,056	6,085

11. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs		
– Directors' remuneration *(note 12(a))*	3,818	1,790
– Other staff costs	82,742	69,194
– Retirement benefit scheme contributions other than directors	4,731	3,508
Total staff costs	91,291	74,492
Recognition (reversal) of allowance for trade and other receivables	6,833	(2,463)
Allowance for obsolete stock	2,286	1,374
Amortisation of other intangible assets, included in administrative expenses	409	154
Auditor's remuneration	2,374	2,300
Depreciation of property, plant and equipment	14,966	15,927
Loss on disposal of property, plant and equipment	63	–
Amortisation of prepaid lease payments	2,612	3,512
Management fee paid to a shareholder	996	996
Research and development expenses	1,353	1,009
Gross rental income	–	(1,819)
Less: direct outgoing expenses	–	540
Sub-lease income	(1,981)	(90)
Cost of inventories recognised as an expenses	253,326	204,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2007: six) 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
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
Shared-based payment	40	–	–	–	–	–	–	40
Total emoluments	1,888	734	636	140	140	140	140	3,818
2007								
Fees	–	–	–	140	140	140	140	560
Other emoluments:								
Salaries and other benefits	–	603	603	–	–	–	–	1,206
Retirement benefit scheme contributions	–	12	12	–	–	–	–	24
Share-based payment	–	–	–	–	–	–	–	–
Total emoluments	–	615	615	140	140	140	140	1,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were directors (2007: one was director) of the Company whose emoluments are set out in note 12(a) above. The emoluments of the remaining three (2007: four) individuals are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**3,088**	5,382
Retirement benefit scheme contributions	**36**	71
Share-based payment	**20**	8
	3,144	5,461

Their emoluments are within the following bands:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1

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 2008

13. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	2,580	404
Other jurisdictions	1,038	201
	3,618	605
(Over) under provision in prior years		
Hong Kong Profits Tax	(3)	76
Deferred taxation *(note 38)*		
Current year	(1,211)	301
	2,404	982

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both years. On 25 June 2008, the reduction in Hong Kong Profit Tax rate from 17.5% to 16.5% was approved by the Legislative council. The Group anticipate that the reduction in Hong Kong Profit Tax rate will have no material impact on results and financial position of the Group.

Singapore Income Tax is calculated at 18% of the estimated assessable profit for both years.

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 2008

13. INCOME TAX EXPENSE (CONTINUED)

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	85,786	10,905
Tax at the domestic income tax rate of 17.5%	15,013	1,908
Tax effect of share of results of associates	2,501	123
Tax effect of expenses not deductible for tax purpose	35,855	18,528
Tax effect of income not taxable for tax purpose	(53,194)	(19,450)
Tax effect of tax losses not recognised	3,700	2,747
Under (over) provision in prior years	(3)	76
Utilisation of tax losses not recognised	(1,193)	(1,071)
Recognition of deferred tax assets in respect of tax losses previously not recognised	–	(601)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(518)	(1,232)
Others	243	(46)
Tax charge for the year	2,404	982

Details of deferred taxation are set out in note 38.

14. EARNINGS PER SHARE

For the year ended 31 March 2008, the calculation of the basic and diluted earnings per share is based on the following data:

	2008 HK$'000	2007 HK$'000
Profit for the year attributable to the equity holders of the parent for the purpose of basic earnings per share	83,767	9,895

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,607,503,426	1,396,347,688

The computation of diluted earnings per share for the year ended 31 March 2008 does 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 Hong Kong Stock Exchange nor the conversion of the outstanding convertible loan stock and convertible loan note of the Company, the exercise of which would result in an increase in basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

15. INVESTMENT PROPERTY

	HK$'000
VALUATION	
At 1 April 2006	9,100
Disposal	(9,100)
At 31 March 2007 and at 31 March 2008	–

16. 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 2006	54,381	17,035	37,626	25,219	821	7,268	–	142,350
Exchange realignment	–	49	261	96	80	30	–	516
Additions	–	4,849	210	2,085	–	846	–	7,990
On acquisition of a subsidiary	–	421	–	197	–	–	–	618
Disposal of a subsidiary	(41,500)	(1,946)	–	(638)	–	(21)	–	(44,105)
At 31 March 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
DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 April 2006	8,587	9,606	17,623	16,959	311	4,330	–	57,416
Exchange realignment	–	36	185	58	70	19	–	368
Provided for the year	998	6,110	4,084	3,303	191	1,241	–	15,927
Eliminated on disposal of a subsidiary	(2,654)	(624)	–	(283)	–	(10)	–	(3,571)
At 31 March 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
CARRYING AMOUNT								
At 31 March 2008	17,781	7,782	15,218	5,717	363	1,917	7,536	56,314
At 31 March 2007	5,950	5,280	16,205	6,922	329	2,543	–	37,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

16. 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$^1/_3$%
Plant and machinery	10% – 20%
Furniture and equipment	20 – 33$^1/_3$%
Motor vehicles	20%
Computer system	20 – 33$^1/_3$%

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

	2008 HK$'000	2007 HK$'000
Land in Hong Kong:		
Medium-term lease	**5,789**	5,950
Land in PRC *(note)*	**11,992**	–
	17,781	5,950

Note: Buildings are situated on allocated land without lease term in PRC. Such land was obtained from local government. Depreciation on leasehold 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 PRC cannot be sold and changed its usage freely without approval from local government.

At 31 March 2008, the carrying amount of furniture and equipment includes an amount of approximately HK$42,000 (2007: HK$211,000) in respect of assets held under finance leases. The Group has pledged leasehold buildings with carrying amount of approximately HK$1,021,000 (2007: HK$1,048,000) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008 HK$'000	2007 HK$'000
Medium-term lease land in Hong Kong	**97,503**	100,003
Leased Land in PRC	**1,536**	–
	99,039	100,003
Analysed for reporting purposes as:		
Non-current assets	**96,277**	97,503
Current assets	**2,762**	2,500
	99,039	100,003

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 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

18. GOODWILL

	HK$'000
CARRYING AMOUNT	
At 1 April 2006	255,461
Arising on acquisition of a subsidiary *(note 41)*	161
Impairment loss recognised	(49,558)
At 31 March 2007	206,064
Arising on acquisition of a subsidiary *(note 41)*	66
Impairment loss recognised	(180,859)
At 31 March 2008	25,271

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:

	2008 HK$'000	2007 HK$'000
Production and sale of:		
– Chinese pharmaceutical and health food products	**11,971**	92,612
– Western pharmaceutical and health food products	**13,300**	109,102
– Bottled birds' nest drinks and herbal essence products	**–**	4,350
	25,271	206,064

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 derived from the most recent financial budgets approved by management and cash flows beyond that five year periods have been extrapolated using a 3% growth rate (2007: based on the estimated zero growth rate) for the production and sale of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products and a zero growth rate (2007: based on the estimated zero growth rate) for the production and sale of bottled birds' net drinks and herbal essence products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

18. GOODWILL (CONTINUED)

The rate used to discount the forecast cash flows for the production and sale of Chinese pharmaceutical and health food products, Western pharmaceutical and health food products and bottled birds' nest drinks and herbal essence products is 13.54%, 13.54% and 15%, respectively (2007: 10.86%, 10.86% and 15% for each of them).

In view of the slowdown of retailing markets and continuous increase in operating expenses, mainly the advertising expenses, rental expense of the retail shops and salaries, there will be an adverse effect on the future profits on the Chinese pharmaceutical business and bottled birds' nest drinks business. As a result, a recognition of impairment losses of goodwill allocated to the production and sale of Chinese pharmaceutical and health food products business and bottled birds' nest drinks and herbal essence products business of HK$80,707,000 and of HK$4,350,000 was made respectively during the year.

By considering the control on sales of cough syrup in PRC has been tightened and the increase in costs of goods sold due to inflation in the coming years, a lower growth rate and a decrease in gross profit margin were expected for the Western pharmaceutical business. As a result, a recognition of impairment losses of goodwill allocated to the production and sale of Western pharmaceutical and health food products business of HK$95,802,000 was made during the year.

Due to the increase in competition in the market, the Group has reviewed its cash flow forecast for these CGUs. The carrying amount of goodwill for the production and sale of Chinese pharmaceutical and health food products, Western pharmaceutical and health food products and bottled birds' nest drinks and herbal essence products have therefore been reduced to their recoverable amounts through the recognition of a total impairment losses of approximately HK$180,859,000 (2007: HK$49,558,000) in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

19. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of investment in associates *(note a)*		
– Listed in Hong Kong *(note b)*	**211,682**	1,682
– Unlisted *(note c)*	**3,650**	10,821
Share of post-acquisition reserves, net of dividends received	**(6,289)**	(7,631)
	209,043	4,872
Market value of listed investments	**783,700**	24,600

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

	HK$'000
COST	
At 1 April 2006	15,202
Arising on acquisition during the year *(note i)*	36,863
At 31 March 2007	52,065
Transfer *(note ii)*	(14,371)
At 31 March 2008	37,694
IMPAIRMENT	
At 1 April 2006	(15,202)
Impairment loss recognised for the year *(note i)*	(36,863)
At 31 March 2007	(52,065)
Transfer *(note ii)*	14,371
At 31 March 2008	(37,694)
CARRYING AMOUNT	
At 31 March 2007 and 31 March 2008	–

Notes:

(i) The recoverable amount of the investment in associates at 31 March 2007 had been determined based on the valuation performed by Sallmanns (Far East) Limited, a firm of independent valuers, using value in use calculations with reference to 5-year cash flow forecasts. The rate of discount the forecast cash flows for LeRoi was 14.26%. The management of the associate considered to phase out the operation of trading of fashion apparels and thus, in the opinion of directors, an impairment loss of approximately HK$36,863,000 was made and charged to consolidated income statement for the year ended 31 March 2007.

(ii) During the year, the Group has 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 2008

19. INTERESTS IN ASSOCIATES (CONTINUED)

(b) On 27 January 2006, the Group entered into a share purchase agreement with Taco Holdings Limited ("Taco Holdings"), an independent third party, pursuant to which the Group had conditionally agreed to purchase the 205,000,000 ordinary shares of LeRoi, representing approximately 25.32% of the issued share capital in LeRoi for a total cash consideration of HK$37,500,000 from Taco Holdings.

On 3 January 2007, the acquisition of LeRoi was completed. LeRoi was incorporated in Cayman Islands with limited liability and its shares are listed on the Hong Kong Stock Exchange.

During the year, the Group has further acquired for 2,100,000,000 shares in LeRoi at the cost of HK$210,000,000. The Group holds approximately 29.97% equity interest in LeRoi as at 31 March 2008.

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

	31.3.2008 HK$'000	31.3.2007 HK$'000
Total assets	869,038	80,182
Total liabilities	(182,432)	(78,015)
Net assets	686,606	2,167
The Group's share of net assets of associates	205,826	549

	1.4.2007 to 31.3.2008 HK$'000	4.1.2007 to 31.3.2007 HK$'000
Revenue	84,188	4,276
Loss for the year/period	(59,153)	(4,475)
The Group's share of results of associates for the year/period	(16,487)	(1,133)

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

	2008 HK$'000	2007 HK$'000
Total assets	14,577	51,934
Total liabilities	(5,562)	(39,920)
Net assets	9,015	12,014
The Group's share of net assets of associates	3,217	4,323
Revenue	53,440	67,421
Profit for the year	3,783	1,046
The Group's share of results of associates for the year	2,193	428

Details of the Group's principal associates at 31 March 2008 are set out in note 51.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

20. AMOUNTS DUE FROM ASSOCIATES

	2008 HK$'000	2007 HK$'000
Amounts due from associates – after one year	**–**	30,900
Less: Impairment loss recognised	**–**	(10,900)
	–	20,000
Amounts due from associates – within one year	**5,280**	10,014
Less: Impairment loss recognised	**–**	(489)
	5,280	9,525

At 31 March 2008, the above amounts represent trade receivables which are unsecured, interest-free, and the Group allows a credit period of 90 days.

At 31 March 2007, the above amounts represent trade receivable which were unsecured, interest-free, and the Group allows a credit period of 90 days, except for an amount of approximately HK$20,436,000 (net of impairment loss HK$11,389,000) which carried interest at 4% to 6.5% per annum and was repayable from 31 March 2007 to 29 January 2010.

21. OTHER INTANGIBLE ASSETS

	Customer relationship HK$'000	**Trademark** HK$'000	**Total** HK$'000
COST			
At 1 April 2006	–	1,499	1,499
Addition during the year	–	38	38
At 31 March 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
AMORTISATION			
At 1 April 2006	–	283	283
Provided for the year	–	154	154
At 31 March 2007	–	437	437
Provided for the year	50	359	409
At 31 March 2008	50	796	846
CARRYING AMOUNT			
At 31 March 2008	550	4,054	4,604
At 31 March 2007	–	1,100	1,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

21. OTHER INTANGIBLE ASSETS (CONTINUED)

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

Trademark	5 to 10 years
Customer relationship	5 years

22. LONG-TERM BANK DEPOSITS

The long-term bank deposits comprised:

Principal amount	Maturity date	Effective interest rate	Carrying amount 2008 HK$'000	Carrying amount 2007 HK$'000
US$1,000,000 *(note)*	8 March 2016	9.35%	–	7,813

Note:

The balance represents US dollar denominated high-yield deposit placed with a financial institution with a tenure of ten years. The interest yield was linked to changes in London Inter-Bank Offered Rate ("LIBOR"). The Group would receive interest at an contractual interest rate of 9.35% per annum in each quarter of the year when the LIBOR is within the specific range of 0% to 6%. Deposits might not yield any interest if LIBOR was not within the specified range.

The bank had the call option to cancel the contract, at any time from the date of signing the contract till the maturity date and return the principal amount and the accrued interest income to the Group.

The bank has exercised the call option in December 2007 and the principal amount and accrued interest income were returned to the Group.

23. INVESTMENTS IN UNLISTED NOTES

	2008 HK$'000	2007 HK$'000
The amount comprises:		
– unlisted convertible notes due from an associate *(note a)*	168,363	2,848
– unlisted bank notes *(note b)*	3,889	5,875
	172,252	8,723
Carrying amount analysed for reporting purposes as:		
Non-current	168,363	6,749
Current	3,889	1,974
	172,252	8,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

23. INVESTMENTS IN UNLISTED NOTES (CONTINUED)

Notes:

(a) *Unlisted convertible notes with principal amounts of HK$190,000,000 and HK$3,000,000 were issued on 5 October 2007 and 24 January 2007, respectively, by LeRoi ("LeRoi Note 2" and "LeRoi Note 1", respectively) and details of LeRoi Note 2 and 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.

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 fixed for 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 Option Pricing Model ("Binomial Model"), respectively. At the issue date on 24 January 2007, LeRoi Note 1 comprised of 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 using discounted cash flow method and Binomial model, respectively. During the year ended 31 March 2008, the Group further subscribed for HK$7,000,000 LeRoi Note 1 and all LeRoi Note 1 was disposed of during the year, resulting in a gain of approximately HK$1,945,000 recognised in the consolidated income statement.

As at 31 March 2008, the amount of unlisted convertible note due from an associate represented the liability component of LeRoi Note 2 (2007: LeRoi Note 1). The effective interest rate of the liability component is 6.20% (2007: 8.45%) per annum.

The directors consider that the carrying amount of the liability component of LeRoi Note 2 at 31 March 2008 approximated to its fair value as at that date, as determined using the discounted cash flow method. In addition, the directors considered that the carrying amount of the liability component and the fair value of the conversion option of LeRoi Note 1 as at 31 March 2007 approximated to their fair values as at that date.

The inputs for the calculation of the fair values of the liability components at the issue dates using the discounted cash flow method are as follows:

	5 October 2007	***24 January 2007***
Coupon rate	*3.00%*	*6.50%*
Risk-free rate	*4.07%*	*3.90%*
Credit spread	*1.84%*	*4.55%*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

23. INVESTMENTS IN UNLISTED NOTES (CONTINUED)

(a) *(Continued)*

The fair values of the derivatives embedded in the LeRoi Note are shown as derivative financial instruments under non-current assets and non-current liabilities.

The net fair value at 31 March 2008 of the derivatives embedded in LeRoi Note 2 amounted to HK$288,475,000, representing the fair value of the conversion option of HK$333,270,000 less the fair value of the issuer's redemption option of HK$44,795,000, which are carried in the consolidated balance sheet under non-current asset and non-current liabilities, respectively. The fair values of the derivatives embedded in LeRoi Note 2 at 31 March 2008 were determined by reference to a valuation conducted by a firm of independent valuers using the Trinomial Pricing Option Model ("Trinomial 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

There was no fair value change for the conversion option of LeRoi Note 1 as the directors considered that its fair value at issue date approximated to its fair value at 31 March 2007.

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

	31 March 2008	**5 October 2007**
Methodology	Trinomial model	Binomial model
Risk-free rate	1.95%	4.00%
Time to maturity	5 years	5 years
Dividend yield	0%	0%
Volatility	50%	43%

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

(b) *The amounts represent notes issued by financial institutions. Details of the term of the bank notes are as follows:*

Notional amount	**Maturity date**	**Effective interest rate**
US$500,000	11 December 2008	5.125%
HK$2,000,000[#]	8 June 2007	3.6%

[#] *The bank note matured and the principal was fully repaid by the financial institution.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

24. PREPAYMENTS

For the year ended 31 March 2008

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, 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 Limited became a wholly-owned subsidiary of the Group.

For the year ended 31 March 2007

On 15 September 2005, the Group entered into a sale and purchase agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") for the acquisition of a 8% equity interest in each of Dongguan Senox Industrial Co., Ltd. , Dongguan Senox Agricultural Products Co., Ltd. and Dongguan Senox Logistics Co., Ltd. (hereinafter collectively referred to as the "Senox Group") for an aggregate cash consideration of HK$24,000,000. The Senox Group was principally engaged in the investment in and management and provision of logistics services in PRC. A first instalment of HK$12,000,000 was paid upon entering into the conditional agreements. In accordance with the Acquisition Agreement, after payment of the first instalment, the Vendor should pay the Company the dividends or profit distribution attributable to the 8% equity interest in Senox Group within 7 days upon actual receipt of dividends.

On 21 February 2007, the Group entered into a termination agreement with the Vendor for the termination of the Acquisition Agreement which became effective in May 2007. A compensation income of HK$422,000 was recognised in consolidated income statement during the year. Details of the termination are set out in the Company's announcement dated 23 February 2007.

During the year ended 31 March 2007, the Senox Group paid dividends amounting to RMB30,000,000 and the Group was entitled to RMB2,400,000 equivalent to approximately HK$2,371,000.

25. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials and consumables	**37,790**	26,339
Work-in-progress	**3,337**	3,021
Finished goods	**56,150**	37,699
	97,277	67,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

26. TRADE AND OTHER RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade receivables	55,638	50,478
Less: accumulated impairment	(9,471)	(902)
	46,167	49,576
Deposit, prepayments and other receivables	34,166	19,770
Total trade and other receivables	80,333	69,346

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:

	2008 HK$'000	2007 HK$'000
0 – 30 days	17,787	18,360
31 – 60 days	5,232	18,718
61 – 120 days	17,187	9,418
Over 120 days	5,961	3,080
	46,167	49,576

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customers. Limits attributed to customers are reviewed regularly. 63% (2007: 76%) of the trade receivables that are neither past due nor impaired are with good credit quality.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$17,066,000 (2007: HK$11,943,000) 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 base on their settlement records. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2008 HK$'000	2007 HK$'000
0 – 30 days	–	–
31 – 60 days	2,455	3,555
61 – 120 days	8,650	5,308
121 – 180 days	5,961	3,080
Over 180 days	–	–
	17,066	11,943

The Group has provided fully for all receivable 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

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	902	3,714
Exchange realignment	86	67
Acquisition of a subsidiary	1,650	–
Impairment losses recognised on (reserves of) receivables	6,833	(2,463)
Amounts written off as uncollectible	–	(416)
Balance at end of the year	9,471	902

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$9,471,000 (2007: HK$902,000) that are considered irrecoverable by the management after consideration on the credit quality of those individual customers, 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 receivable that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	SGD'000
As at 31 March 2008	52
As at 31 March 2007	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

27. INVESTMENTS HELD-FOR-TRADING

	2008	2007
	HK$'000	HK$'000
Listed equity securities at fair value:		
in Hong Kong	**7,254**	10,674
in overseas	**9,390**	3,801
	16,644	14,475

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:

	SGD'000	**GBP'000**	**EUR'000**
As at 31 March 2008	1,140	76	157
As at 31 March 2007	687	–	–

28. PLEDGED DEPOSITS

As at 31 March 2008, the amount represented deposits pledged to financial institutions to secure equity accumulators, acquired by the Group as disclosed in note 33. 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 deposits carried fixed interest rate ranging from 1.4% to 5.65% per annum for the year ended 31 March 2008. The pledged deposits will be released upon the termination of the contract of derivative financial instruments.

29. BANK BALANCES AND CASH

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate. All bank deposits have an original a maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.225% to 5.5% (2007: 2.25% to 5.17%) per annum.

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

	USD'000	**SGD'000**	**GBP'000**	**RMB'000**	**AUD'000**	**EUR'000**
As at 31 March 2008	3,527	532	79	26	138	194
As at 31 March 2007	2,364	–	–	27	–	303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$26,684,000 (2007: HK$40,724,000) and their aged analysis is as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	11,512	18,816
31 – 60 days	12,134	13,709
61 – 120 days	1,126	5,576
Over 120 days	1,912	2,623
	26,684	40,724
Other payables	43,232	32,504
	69,916	73,228

The average 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 time frame.

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:

	AUD'000	RMB'000	EUR'000
As at 31 March 2008	2	3,337	6
As at 31 March 2007	2	342	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**16**	34	**13**	29
More than one year, but not exceeding two years	**11**	25	**9**	22
	27	59	**22**	51
Less: Future finance charges	**(5)**	(8)	**–**	–
Present value of lease obligations	**22**	51	**22**	51
Less: Amount due within one year shown under current liabilities			**(13)**	(29)
Amount due after one year			**9**	22

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 2008, the average effective borrowing rate ranges from 4.9% to 7.1% per annum (2007: 5.4% to 10.9%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

32. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Secured	**46,547**	53,250
Unsecured	**1,786**	5,973
	48,333	59,223
The above bank borrowings are repayable as follows:		
On demand or within one year	**12,948**	15,368
More than one year, but not exceeding two years	**9,335**	10,105
More than two years, but not exceeding five years	**11,750**	15,850
More than five years	**14,300**	17,900
	48,333	59,223
Less: Amount due within one year shown under current liabilities	**(12,948)**	(15,368)
Amount due after one year	**35,385**	43,855

During the year, the Group obtained new bank loans in an amount of approximately HK$34.4 million (2007: HK$43.2 million). These loans carry interest at 7.25% (2007: 5.08% to 8.25%) per annum and are repayable in instalments over a period of three to five years. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

32. BANK BORROWINGS (CONTINUED)

	Maturity date	Effective interest rate	Carrying amount 2008 HK$'000	Carrying amount 2007 HK$'000
Bank borrowings comprise:				
Fixed-rate borrowing:				
6.37% secured RMB loan [1]	April 2010	6.37%	**3,597**	–
Variable-rate borrowings:				
3-month HIBOR plus 1.25% Secured HK$ loan [2]	July 2014	5.42%	**40,800**	48,000
1-month HIBOR plus 1.25% unsecured HK$ loan	July 2008	5.39%	**929**	3,619
3-month HIBOR plus 1.25% secured HK$ loan	September 2009	5.42%	**900**	1,500
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**	1,875
3-month HIBOR plus 1.75% secured HK$ loan	August 2008	5.92%	**625**	1,875
1-month HIBOR plus 1.75% unsecured HK$ loan	November 2007	5.89%	**–**	2,354
			48,333	59,223

(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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 HK$'000	2007 HK$'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")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 BMI Appraisals Limited, a firm of independent valuers. A loss arising on the change in fair value of the derivative financial instruments of HK$832,000 is charged to the consolidated income statement for the year ended 31 March 2008.

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

34. DEFERRED FRANCHISE INCOME

	2008 HK$'000	2007 HK$'000
At beginning of the year	223	252
Additions during the year	102	390
Recognised during the year	(212)	(419)
At end of the year	113	223
Less: Amount due within one year shown under current liabilities	(113)	(223)
	–	–

35. CONVERTIBLE LOAN STOCK

	2008 HK$'000	2007 HK$'000
£590 (2007: £590) 9.5% unsecured convertible loan stock ("CL Stock")	8	8

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

36. ADVANCES FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The advances, except for HK$2,800,000 which bears interest at 7.02% per annum, are unsecured, non-interest bearing and repayable on demand.

37. CONVERTIBLE LOAN NOTE

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

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 anti-dilutive, 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 ("Early Redemption Option of the Issuer") to redeem outstanding Convertible Note.

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 principal amount, representing HK$101,000,000, was redeemed by the Company at a discount amounting to HK$98,475,000.

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

	2008 HK$
At issue date	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

38. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Allowance for bad and doubtful debt	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	3,551	148	(525)	(1,483)	1,691
(Credit) charge to the consolidated income statement or the year	(862)	(148)	417	894	301
Exchange adjustment	5	–	–	–	5
At 31 March 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

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

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**(378)**	(57)
Deferred tax liabilities	**1,115**	2,054
	737	1,997

At the balance sheet date, the Group had unused tax losses of approximately HK$107,713,000 (2007: HK$96,749,000) available to offset against future profits, of which HK$104,230,000 (2007: HK$88,959,000) has not yet been agreed by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of such losses. At 31 March 2007, a deferred tax asset in respect of HK$3,363,000 of such losses, has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

39. SHARE CAPITAL

Ordinary shares of HK$0.01 each	**Number of shares**	**Amount**
		HK$'000
Authorised:		
At 31 March 2007 and 31 March 2008	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2006 and 31 March 2007	1,396,347,688	13,964
Issue of shares *(Note)*	279,000,000	2,790
At 31 March 2008	1,675,347,688	16,754

Note:

279,000,000 ordinary shares of HK$0.01 each of the Company held by Rich Time, a wholly owned subsidiary of Wang On Group Limited ("Wang On"), 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$124.1 million from the placing and subscription agreements were used for the expansion of retail network and as general working capital.

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

40. 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 17 September 2014, the board of directors of the Company may grant options to directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Hong Kong Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant of the options.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

40. SHARE OPTION SCHEME (CONTINUED)

2004 Scheme (Continued)

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 in the share options granted under the 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
Weighted average exercise price			HK$0.415	HK$0.415	HK$0.226	HK$0.299

The closing price of the shares immediately before the date on which the options were granted was HK$0.223 per share.

The following tables disclose movements in the share options granted under the 2004 Scheme during the year ended 31 March 2007.

			Number of options		
Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.4.2005 and 31.3.2006	Granted during the year	Outstanding at 31.3.2007
Employees					
3.1.2007	0.415	2.1.2008 to 1.1.2012	–	4,120,000	4,120,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

40. SHARE OPTION SCHEME (CONTINUED)

2004 Scheme (Continued)

The following table disclosed details of 6,500,000 share options granted during the year:

Date of grant	Number of options granted	Exercise price HK$	Vesting period	Exercise period	Fair value per options HK$
2 January 2008	1,950,000	0.226	2 January 2008 to 1 January 2009	2 January 2008 to 1 January 2013	0.095
2 January 2008	1,950,000	0.226	2 January 2009 to 1 January 2010	2 January 2010 to 1 January 2013	0.1144
2 January 2008	2,600,000	0.226	2 January 2010 to 1 January 2011	2 January 2011 to 1 January 2013	0.1284
	6,500,000				

For the year ended 31 March 2008 and 31 March 2007, no share options were exercised.

* The options granted under the 2004 Scheme vest as follows:

On 2nd anniversary of the date of grant	30% vest
On 3rd anniversary of the date of grant	Further 30% vest
On 4th anniversary of the date of grant	Remaining 40% vest

During the years ended 31 March 2008 and 31 March 2007, 6,500,000 and 4,120,000 units of share options were granted on 2 January 2008 and 3 January 2007, respectively. The estimated fair value of the options granted during the year is HK$742,600 (2007: HK$710,000).

As of the date of this report, the total number of shares available for issue under the Company's 2004 Scheme is 129,014,768 representing 6.42% of the share capital of the Company in issue at the date of this report.

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

	2008	2007
Grant date	**2 January 2008**	3 January 2007
Share Price	**HK$0.220**	HK$0.390
Exercise price	**HK$0.226**	HK$0.415
Expected volatility	**80%**	70%
Risk-free rate	**3.07%**	3.07%
Expected dividend yield	**0%**	0%
Sub optimal early exercise factor	**1.5 times**	1.5 times
Expected Life	**5 years**	5 years

Expected volatility was determined by using the historical volatility of the closing price of the shares of the Company and comparable listed companies over the previous one year. Based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations, a 5-year expected life was applied in the model.

The Group and the Company recognised the total expense of approximately HK$277,000 (2007: HK$52,000) for the year ended 31 March 2008 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

41. ACQUISITION OF SUBSIDIARIES

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.

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 borrowings	**(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 2008

41. ACQUISITION OF SUBSIDIARIES (CONTINUED)

In October 2007, a wholly-owned subsidiary of the Company 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 wholly-owned subsidiary of the group. This acquisition has been accounted for using the purchase method. The amount of goodwill from the acquisition was HK$66,000.

In July 2006, a wholly-owned subsidiary of the Company acquired an additional 50% equity interest in Superfine Limited ("Superfine") for a cash consideration of HK$1. Superfine then became a wholly-owned subsidiary of the Group. Superfine 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$161,000.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the year ended 31 March 2008 are not significantly different from their respective carrying amounts. The effect of the acquisition is summarised below:

	2008 HK$'000	2007 HK$'000
Net assets acquired:		
Property, plant and equipment	108	618
Deferred tax asset	55	–
Tax recoverable	12	–
Inventories	1,091	1,215
Trade and other receivables	259	112
Bank and cash balances	65	10
Trade and other payables	(1,073)	(2,116)
	517	(161)
Less: Interest acquired in previous acquisition:		
– carrying amount of interests in associate	(258)	–
	259	(161)
Goodwill	66	161
	325	–
Satisfied by:		
Cash consideration paid	325	–
Net inflow (outflow) arising on acquisition:		
Cash consideration paid	(325)	–
Cash and cash equivalents acquired	65	10
	(260)	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

41. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

41. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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 2008 contributed approximately HK$8,576,000 (2007: HK$2,904,000) to the Group's revenue and a profit of approximately HK$4,000 (2007: a profit of approximately HK$126,000) to the Group's profit before taxation for the period between the date of acquisition and 31 March 2008.

If the acquisition had been completed on 1 April 2007, the total Group revenue for the year would have been approximately HK$490,798,000 and profit for the year would have been approximately HK$85,309,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that would actually have been achieved had the acquisitions been completed on 1 April 2007, nor is it intended to be a projection of future results.

42. DISPOSAL OF A SUBSIDIARY

On 27 March 2007, the Group disposed of its entire interest in Conful Limited ("Conful"). The major asset of Conful was Wai Yuen Tong Medicine Building ("WYT Building"). The Group has a leaseback arrangement for the WYT Building for ten years. Prior to the completion of the disposal and leaseback of WYT Building, a majority portion of the property was occupied by the group companies of the Company for operating use. Details of the disposal are set out in the circular dated 5 March 2007 and the details of the sales and leaseback arrangement are disclosed in note 46.

The net assets of Conful at the date of disposal were as follows:

	2007 HK$'000
Net assets disposal of:	
Property, plant and equipment	40,534
Prepaid lease payments	40,718
Other payables	(84,609)
Tax payable	(200)
	(3,557)
Gain on disposal	100,618
Deferred income *(note)*	3,000
Total consideration	100,061
Satisfied by:	
Net inflow arising on disposal:	
Net cash consideration received	100,061

Note: The deferred income represented the excess of the sales proceeds of Conful over the fair value of net assets disposed, which is determined by the directors of the Group with reference to valuation report performed by Debenham Tie Leung, a firm of independent values. The amount will be amortised over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

43. RETIREMENT BENEFIT PLANS

The Group participates in 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 Occupational Retirement Scheme Ordinance Scheme prior to the establishment of the MPF Scheme have switched to 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$4,791,000 (2007: HK$3,532,000) charged to consolidated income statement represents contributions payable to these schemes by the Group in respect of the current accounting year. As at 31 March 2008, contributions of approximately HK$229,000 (2007: HK$259,000) due in respect of the reporting period had not been paid over to the schemes.

44. PLEDGE OF ASSETS

	2008 HK$'000	2007 HK$'000
Prepaid lease payments	96,479	98,952
Buildings	1,021	1,048
Bank deposits	1,599	–
	99,099	100,000

45. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
At the balance sheet date, the Group had contracted for but not provided in the financial statements in respect of acquisition of:		
– property, plant and equipment	2,076	1,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

46. OPERATING LEASES

The Group as lessee:

The Group made minimum lease payments of approximately HK$49,904,000 (2007: HK$31,435,000) 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:

	2008 HK$'000	2007 HK$'000
Within one year	46,769	40,519
In the second to fifth years inclusive	72,676	69,100
Over five years	52,640	65,800
	172,085	175,419

Operating lease payments represent rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for a term ranging from one to ten years. Certain lease rentals are based on turnover of the relevant retail shops. The contingent rent paid for the year is approximately HK$337,000 (2007: HK$63,000).

As mentioned in note 42, the Group disposed of its property during the year ended 31 March 2007 and entered into a sale and leaseback agreement with an independent third party. This sale and leaseback arrangement is classified as an operating lease.

The Group as lessor:

Property rental income and sub-lease income earned during the year was nil and approximately HK$1,981,000, respectively (2007: HK$1,819,000 and HK$90,000).

At 31 March 2008, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	1,920	4,377
In the second to fifth years inclusive	480	–
	2,400	4,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

47. POST BALANCE SHEET EVENT

(a) On 7 May 2008, the Company, Rich Time, a wholly-owned subsidiary of Wang On and the substantial shareholder of the Company, 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, 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.

(b) On 13 June 2008, the Company redeemed the Convertible Note (as detailed in note 37) with an aggregate principal amount of HK$101 million in cash from the note holders at 97.5% of the face value of the Convertible Note, as detailed in the Company's announcement dated 13 June 2008, resulting in an expected loss to be reported in interim report.

(c) The values of the embedded options of LeRoi Note 2 are subject to the fluctuation of the share price of LeRoi. The closing market price of shares in LeRoi has dropped from HK$0.34 as at the balance sheet date to HK$0.26 as at the trading date immediately before the date of approval of these financial statements which resulted in substantial decrease in fair value of the embedded options subsequent to the balance sheet date.

48. 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	2008 HK$'000	2007 HK$'000
(i)	Substantial shareholder which is in a position to exercise significant influence over the Group	Sales of pharmaceutical products by the Group	**288**	1,136
		Management fee paid by the Group	**996**	996
		Rental paid by the Group	**660**	134
		Rental received by the Group	**1,920**	1,845
(ii)	Associates	Sales of Chinese pharmaceutical products by the Group	**28,853**	29,053
		Management, advertising and promotion fees received by the Group	**2,092**	2,459
		Loan facilities granted by the Group	**45,000**	45,000
		Interest income received by the Group	**778**	68

Included in the loan facilities granted by the Group to associates 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. As at 31 March 2007, an amount of HK$20,000,000 advanced by the Group to LeRoi was outstanding. The loan was fully repaid during the year ended 31 March 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

48. RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Compensation of key management personnel

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

	2008 HK$'000	2007 HK$'000
Short-term benefits	3,718	1,766
Post-employment benefits	60	24
Share-based payment	40	–
	3,818	1,790

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 balance sheets and notes 20 and 36.

49. LOSS OF THE COMPANY FOR THE YEAR

The loss of the Company for the year ended 31 March 2008 amounting to HK$9,152,000 (2007: profit of HK$6,394,000) has been dealt with in the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

50. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2008 and 2007 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				Principal activity
			Directly		Indirectly		
			2008	2007	2008	2007	
Asia Brighter Investment Limited	Hong Kong	HK$2 Ordinary share	–	–	100%	100%	Property investment
Billion Good Investment Limited	Hong Kong	HK$2 Ordinary share	–	–	100%	100%	Property holding
Bright Leading Limited	Hong Kong	HK$2 Ordinary share	–	–	100%	100%	Investment holding
CNT Health Food Pte Limited	Singapore	Singapore $1,610,000 Ordinary share	–	–	100%	100%	Production and sales of Chinese health food
China Field Δ	Hong Kong	HK$25,000 Ordinary Share	–	–	81%	49%	Investment holding
Global Winner Holdings Limited	Hong Kong	HK$360,000 Ordinary share	–	–	99.79%	99.79%	Retailing of Chinese pharmaceutical products
Hunan Xiangya # Δ	PRC	RMB29,225,000 Registered capital	–	–	52%	39.2%	Production 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2008

50. 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 2008	Directly 2007	Indirectly 2008	Indirectly 2007	Principal activity
Wai Yuen Tong (Retail) Limited	Hong Kong	HK$2 Ordinary share	–	–	99.79%	99.79%	Retailing 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 trading 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.*

Δ *In November 2007, the Group acquired an additional 32% of the issued share capital of China Field. China Field owns 64.2% (2007: 80%) equity interest in Hunan Xiangya. Since then, China Field and Hunan Xiangya became non-wholly owned subsidiaries of the Group.*

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 2008

51. PARTICULARS OF ASSOCIATES

Details of the Group's principal associates at 31 March 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 2008	2007	Principal activity
Chinese Leading Limited	Incorporated	Hong Kong	Ordinary	50%	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 Holdings Limited*	Incorporated	Cayman Islands	Ordinary	29.97%	25.32%	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 of Hong Kong Limited*

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2008

RESULTS

	Year ended 31 March				
	2004 HK$'000 *(note)*	2005 HK$'000 *(note)*	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	349,225	326,909	324,756	381,266	**477,021**
(Loss) profit before taxation	(30,652)	(62,639)	(107,392)	10,905	**85,786**
Income tax (expense) credit	(1,738)	(5,571)	1,240	(982)	**(2,404)**
(Loss) profit for the year	(32,390)	(68,210)	(106,152)	9,923	**83,382**
Attributable to:					
Equity holders of the Company	(32,410)	(67,958)	(98,370)	9,895	**83,767**
Minority interests	20	(252)	(7,782)	28	**(385)**
	(32,390)	(68,210)	(106,152)	9,923	**83,382**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 March				
	2004 HK$'000 *(note)*	2005 HK$'000 *(note)*	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	469,356	828,155	835,983	792,911	**1,203,742**
Total liabilities	(106,855)	(226,821)	(189,192)	(135,213)	**(308,475)**
	362,501	601,334	646,791	657,698	**895,267**
Equity attributable to equity holders of the Company	362,595	593,457	646,712	657,591	**889,001**
Minority interests	(94)	7,877	79	107	**6,266**
	362,501	601,334	646,791	657,698	**895,267**

Note: The summary of the results, assets and liabilities of the Group for the years ended 31 March 2004 and 2005 have been restated as a result of application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. Financial information for earlier years have not been adjusted to take into account the effect on the adoption of these new and revised HKFRSs as the directors considered that it is not practicable to do so.