THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wai Yuen Tong Medicine Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Wai Yuen Tong Medicine Holdings Limited.

WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

VERY SUBSTANTIAL ACQUISITION

Possible voluntary conditional partial share exchange offer by

KINGSTON SECURITIES LIMITED

on behalf of Gain Better Investments Limited, a wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited, to acquire 1,463,835,000 shares in the capital of LeRoi Holdings Limited from the Independent LeRoi Shareholders,

Very substantial acquisition for Wai Yuen Tong Medicine Holdings Limited,

Mandate to allot and issue new shares of Wai Yuen Tong Medicine Holdings Limited

Financial adviser to
Wai Yuen Tong Medicine Holdings Limited
in respect of the Partial Share Exchange Offer

KINGSTON CORPORATE FINANCE LIMITED

Independent financial adviser to
Wai Yuen Tong Medicine Holdings Limited
in respect of the Partial Share Exchange Offer

Nuada Limited
Corporate Finance Advisory

and

MAJOR TRANSACTION

in relation to advance to LeRoi Holdings Limited

All capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 22 of this circular. A letter of advice from Nuada, the independent financial adviser, containing its opinion and advice to the Board on the terms of the Partial Share Exchange Offer is set out on pages 23 to 32 of this circular.

A notice convening the SGM of Wai Yuen Tong Medicine Holdings Limited to be held at 11/F., Two Exchange Square, Central, Hong Kong on Friday, 2 October 2009 at 10:00 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

* *For identification purpose only*

16 September 2009

CONTENTS

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by WYT and LeRoi:

	2009 *(Hong Kong time, unless otherwise indicated)*
Despatch date of this circular	Wednesday, 16 September
SGM	10:00 a.m. on Friday, 2 October
Announcement of the results of the SGM and satisfaction of the Pre-Conditions, posted on the Stock Exchange's website	Friday, 2 October
Despatch date of the Composite Document and the Partial Share Exchange Offer opens for approval and acceptance (*Note 1*)	Friday, 9 October
Latest time and date for approval and acceptance of the Partial Share Exchange Offer on the First Closing Date *(Note 2)*	4:00 p.m. on Friday, 30 October
First Closing Date (*Note 2*)	Friday, 30 October
Announcement of the results of the Partial Share Exchange Offer, as at the First Closing Date, posted on the Stock Exchange's website	7:00 p.m. on Friday, 30 October
Latest time and date for approval and acceptance of the Partial Share Exchange Offer assuming that the Partial Share Exchange Offer becomes or is declared unconditional as to acceptances on the First Closing Date *(Note 4)*	4:00 p.m. on Friday, 13 November
Final Closing Date (*Note 4*)	Friday, 13 November
Announcement of the results of the Partial Share Exchange Offer, as at the Final Closing Date, posted on the Stock Exchange's website	7:00 p.m. on Friday, 13 November
Latest date for posting of share certificates of WYT to the Accepting LeRoi Shareholders who have accepted the Partial Share Exchange Offer by the Final Closing Date, assuming the Partial Share Exchange Offer is declared unconditional as to acceptances on the First Closing Date (*Note 3*)	Monday, 23 November
Latest time by which the Partial Share Exchange Offer can be declared unconditional as to acceptances (*Notes 5 and 6*)	7:00 p.m. on Tuesday, 8 December

Notes:

1. The Partial Share Exchange Offer opens for approval and acceptance on and from Friday, 9 October 2009, namely the date of posting of the Composite Document.

2. In accordance with Rule 15.1 of the Takeovers Code, the Partial Share Exchange Offer must remain initially open for acceptance for at least 21 days following the date on which the Composite Document is posted. The Independent LeRoi Shareholders are required to submit the duly completed Forms of Approval and Acceptance on or before 4:00 p.m. on Friday, 30 October 2009, being the First Closing Date, in order to approve and accept the Partial Share Exchange Offer. In accordance with Rule 28.4 of the Takeovers Code, if the acceptance condition is fulfilled, the Offeror may also declare the Partial Share Exchange Offer unconditional as to acceptances prior to the First Closing Date, provided that the Offeror fully complies with Rules 15.1 and 15.3 of the Takeovers Code for the Partial Share Exchange Offer to remain open for acceptance for not less than 14 days thereafter. The Offeror cannot extend the Final Closing Date to a day that is beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.

3. Share certificates of WYT will be posted by ordinary post to the Accepting LeRoi Shareholders at his/her/its own risks as soon as possible, but in any event within 10 days following the close of the Partial Share Exchange Offer.

4. In accordance with Rule 15.3 of the Takeovers Code, where the Partial Share Exchange Offer is declared unconditional as to acceptances, it should remain open for acceptance for not less than 14 days thereafter and 4:00 p.m. on Friday, 13 November 2009 is the latest time for approval and acceptance. The Offeror cannot extend the Final Closing Date to a day that is beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code. In such case, 14 days' notice by way of announcement on the First Closing Date will be given before the Partial Share Exchange Offer is closed to those Independent LeRoi Shareholders who have not accepted the Partial Share Exchange Offer.

5. In accordance with the Takeovers Code, except with the consent of the Executive, the Partial Share Exchange Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day the Composite Document is posted. Accordingly, unless the Partial Share Exchange Offer has become or been declared unconditional as to acceptances, the Partial Share Exchange Offer will lapse at 7:00 p.m. on Tuesday, 8 December 2009 unless extended with the consent of the Executive.

6. If the Partial Share Exchange Offer does not become or is declared unconditional as to acceptances within the latest time permitted by the Takeovers Code at 7:00 p.m. on Tuesday, 8 December 2009, the Form(s) of Approval and Acceptance, the relevant certificate(s) of LeRoi Share(s), transfer receipt(s) and any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Offeror will be returned to the Accepting LeRoi Shareholders by post or such documents will be made available by the Registrar for collection, as soon as possible but in any event within 10 days after the Partial Share Exchange Offer lapses. The Offeror will bear the relevant costs to be incurred for posting of such documents to such Accepting LeRoi Shareholders.

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Abterra"	Abterra Ltd., a company incorporated in the Republic of Singapore with limited liability, the shares of which are listed on the main board of the Singapore Exchange
"Accepting LeRoi Shareholder(s)"	the Independent LeRoi Shareholder(s) who has/have validly accepted the Partial Share Exchange Offer
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement"	the joint announcement of the Company and LeRoi dated 19 August 2009 in relation to, inter alia, the Partial Share Exchange Offer
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
"Company" or "WYT"	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Composite Document"	the composite document to be issued by or on behalf of the Offeror and LeRoi to the LeRoi Shareholders in accordance with the Takeovers Code in respect of the Partial Share Exchange Offer
"Conditions"	the conditions of the Partial Share Exchange Offer
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Convertible Bonds"	the convertible bonds due on 5 October 2012 with an aggregate principal amount of HK$190 million, which is convertible at an initial conversion price (subject to adjustment) of HK$0.12 per LeRoi Share, issued by LeRoi to Gain Better pursuant to a subscription agreement dated 6 August 2007 entered into between LeRoi and Gain Better, details of which are set out in the joint announcement of the Company and LeRoi dated 7 August 2007
"Director(s)"	the director(s) of the Company

* *For identification purpose only*

"Enlarged Group"	the WYT Group upon completion of the Partial Share Exchange Offer
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Final Closing Date"	a date which is (i) the 14th day after the date on which the Partial Share Exchange Offer is declared unconditional as to acceptances or the First Closing Date, whichever is earlier, and (ii) at least 21 days following the date on which the Composite Document is posted
"First Closing Date"	the date stated in the Composite Document as the first closing date of the Partial Share Exchange Offer, which shall be at least 21 days following the date on which the Composite Document is posted, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
"Form(s) of Approval and Acceptance"	the form(s) of approval and acceptance and transfer in respect of the Partial Share Exchange Offer accompanying the Composite Document
"Gain Better" or "Offeror"	Gain Better Investments Limited, an investment holding company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent LeRoi Shareholder(s)"	the holder(s) of the LeRoi Share(s), other than the Offeror and parties acting in concert with it
"Kingston"	Kingston Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO
"Last Trading Date"	13 August 2009, being the last trading date prior to the suspension of trading in the LeRoi Shares and the WYT Shares pending the issue of the Announcement
"Latest Practicable Date"	11 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"LeRoi"	LeRoi Holdings Limited 利來控股有限公司, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange

"LeRoi Group"	LeRoi and its subsidiaries
"LeRoi Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of LeRoi
"LeRoi Shareholder(s)"	the holder(s) of LeRoi Share(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	a loan of HK$190 million to be granted by Gain Better to LeRoi pursuant to the Loan Agreement
"Loan Agreement"	the loan agreement dated 28 August 2009 entered into between Gain Better and LeRoi in relation to the Loan
"Long Stop Date"	the date which is the 60th day after the date of the Announcement, being 19 October 2009, unless the date has been extended by the Offeror
"Nuada"	Nuada Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity and the independent financial adviser to the Company in respect of the Partial Share Exchange Offer
"Partial Share Exchange Offer"	the possible voluntary conditional partial share exchange offer for 1,463,835,000 LeRoi Shares from the Independent LeRoi Shareholders on the basis of five (5) new WYT Shares for every two (2) LeRoi Shares
"PRC"	the People's Republic of China, which expression shall, for the purpose of this circular only, exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"Pre-Conditions"	the pre-conditions to the making of the Partial Share Exchange Offer, being the approvals by the WYT Shareholders at the SGM of the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate pursuant to Rule 13.36(1)(a) of the Listing Rules
"Previous Loan Facility"	a loan facility of HK$10 million granted by Gain Better to LeRoi for a term of two years pursuant to the loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi

"Registrar"	Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of WYT to approve, inter alia, (i) the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate; and (ii) the Loan Agreement and the transaction(s) contemplated thereunder, notice of which is set out on pages N-1 to N-3 of this circular, and any adjournment thereof (as the case may be)
"Share(s)" or "WYT Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)" or "WYT Shareholder(s)"	the holder(s) of the Share(s)
"Singapore Exchange"	The Singapore Exchange Securities Trading Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"S$"	Singapore dollar(s), the lawful currency of Singapore
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Wang On"	Wang On Group Limited (宏安集團有限公司)*, a company incorporated in the Bermuda, the shares of which are listed on the main board of the Stock Exchange
"WYT Group"	WYT and its subsidiaries
"%"	per cent.

* *For identification purpose only*

WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

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

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

16 September 2009

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

Possible voluntary conditional partial share exchange offer by Kingston Securities Limited

on behalf of Gain Better Investments Limited, a wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited, to acquire 1,463,835,000 shares in the capital of LeRoi Holdings Limited from the Independent LeRoi Shareholders,

Very substantial acquisition for Wai Yuen Tong Medicine Holdings Limited,

Mandate to allot and issue new shares of Wai Yuen Tong Medicine Holdings Limited

and

MAJOR TRANSACTION

in relation to advance to LeRoi Holdings Limited

* *For identification purpose only*

INTRODUCTION

The Company jointly announced with LeRoi on 19 August 2009, that, among other things, on 14 August 2009, the Company approached the board of directors of LeRoi stating its consideration to make a possible voluntary conditional partial share exchange offer to acquire from the Independent LeRoi Shareholders 1,463,835,000 LeRoi Shares, representing approximately 19.03% of the issued LeRoi Shares as at the Latest Practicable Date. 3,659,587,500 new WYT Shares will be allotted and issued as consideration on the basis of five (5) new WYT Shares for every two (2) LeRoi Shares.

None of WYT, the Offeror or parties acting in concert with any of them has dealt in LeRoi Shares during the six-month period prior to the date of the Announcement and up to and including the Latest Practicable Date and none of them intends to acquire such voting rights prior to completion of the Partial Share Exchange Offer.

If the Partial Share Exchange Offer becomes unconditional in all respects, upon completion of the Partial Share Exchange Offer, WYT will, through the Offeror, beneficially own 3,768,835,000 LeRoi Shares, representing 49.00% of the entire issued share capital of LeRoi as at the Latest Practicable Date.

The Partial Share Exchange Offer constitutes a very substantial acquisition for WYT under the Listing Rules and is subject to the approval by the WYT Shareholders at the SGM.

Given that the WYT Shares to be issued as a result of the Partial Share Exchange Offer may exceed 100% of the existing issued share capital of WYT as at the Latest Practicable Date, WYT is required to obtain independent advice as to whether or not the Partial Share Exchange Offer is in the interests of the WYT Shareholders pursuant to Note 2 of Rule 2.4 of the Takeovers Code. Nuada has been appointed as the independent financial adviser in respect of Rule 2.4 of the Takeovers Code and a letter of advice from Nuada has been included in this circular.

The Company also announced on 28 August 2009 that LeRoi issued a notice to Gain Better, being the holder of the Convertible Bonds, to request for early redemption of the Convertible Bonds in full conditional upon (among other things) the Partial Share Exchange Offer becoming unconditional in all respects and the Loan Agreement and the transaction(s) contemplated thereunder being approved by the WYT Shareholders, and on 28 August 2009, LeRoi and Gain Better also entered into the Loan Agreement pursuant to which Gain Better agreed to grant to LeRoi the Loan.

The transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and are subject to the approval by the WYT Shareholders at the SGM.

WYT will convene the SGM to approve (i) the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate; and (ii) the Loan Agreement and the transaction(s) contemplated thereunder. The resolutions to be considered and, if thought fit, approved at the SGM will be voted on by way of a poll by the WYT Shareholders. As the interest of all the WYT

Shareholders in (i) the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate; and (ii) the Loan Agreement and the transaction(s) contemplated thereunder is the same, no WYT Shareholder or his associate(s) is required to abstain from voting at the SGM.

The purpose of this circular is to set out details of (i) the Partial Share Exchange Offer and the information prescribed by the Listing Rules; and (ii) the Loan Agreement and the transaction(s) contemplated thereunder and to give notice convening the SGM at which resolutions will be proposed to the WYT Shareholders to consider and, if thought fit, approve (i) the Partial Share Exchange Offer and the transactions contemplated thereunder; and (ii) the Loan Agreement and the transaction(s) contemplated thereunder.

Your attention is hereby drawn to pages N-1 to N-3 of this circular where you will find a notice of the SGM to be held on Friday, 2 October 2009.

THE PARTIAL SHARE EXCHANGE OFFER

Terms of the Partial Share Exchange Offer

The Partial Share Exchange Offer will be made by Kingston on behalf of the Offeror on the following basis:

For every two (2) LeRoi Shares	**five (5) new WYT Shares**

The basis of the Partial Share Exchange Offer to acquire 1,463,835,000 LeRoi Shares, being five (5) new WYT Shares for every two (2) LeRoi Shares, has been determined by the Offeror with reference to, among other things, the closing price of WYT Shares as quoted on the Stock Exchange on the Last Trading Date, which was HK$0.101. This translates into a value of HK$0.2525 per LeRoi Share.

A total of 3,659,587,500 new WYT Shares will be allotted and issued, representing approximately 151.70% of the existing issued share capital of WYT as at the Latest Practicable Date and approximately 60.27% of the enlarged issued share capital of WYT immediately following the allotment and issue of new WYT Shares.

The allotment and issue of new WYT Shares will not result in a change of control of the Company.

Total consideration for the Partial Share Exchange Offer

As at the Latest Practicable Date, there are (i) 7,691,500,000 LeRoi Shares in issue; (ii) outstanding Convertible Bonds; and (iii) 385,000,000 new LeRoi Shares to be issued in consideration of Abterra agreeing to allot and issue 255,000,000 new shares of Abterra to LeRoi (the "**Share Swap**", details of which were set out in the announcement of LeRoi issued on 12 June 2009). The conversion in full of the Convertible Bonds and completion of the Share Swap would result in the issue of an additional 1,583,333,333 LeRoi Shares (representing approximately 20.59% of the existing issued share capital of LeRoi as at the Latest Practicable Date and approximately 17.07% of the enlarged issued share capital of LeRoi immediately following the issue of such additional LeRoi Shares) and 385,000,000 new LeRoi Shares (representing approximately 5.01% of the existing issued share capital of LeRoi as at the Latest Practicable Date and approximately 4.77% of the enlarged issued share capital of LeRoi immediately following the issue of such additional LeRoi Shares), respectively. As at the Latest Practicable Date, WYT Group holds all the Convertible Bonds. Save for the Convertible Bonds and the Share Swap, there are no outstanding options, derivatives, warrants or convertible securities which are convertible or exchangeable into LeRoi Shares as at the Latest Practicable Date.

On the basis of the Partial Share Exchange Offer of five (5) new WYT Shares for every two (2) LeRoi Shares and based on the closing price of HK$0.101 per WYT Share as quoted on the Stock Exchange on the Last Trading Date, the implied price for LeRoi Shares under the Partial Share Exchange Offer is HK$0.2525 per LeRoi Share and the 1,463,835,000 LeRoi Shares held by the Independent LeRoi Shareholders on the Last Trading Date, which are to be acquired under the Partial Share Exchange Offer, are valued at approximately HK$369.62 million.

Given the trading volume of LeRoi Shares, WYT has further crossed reference such offer price to the share performance of LeRoi Shares for the last six-month preceding the Last Trading Date. Given the implied premium of approximately 3.15% between the implied price for LeRoi Shares under the Partial Share Exchange Offer of HK$0.2525 per LeRoi Share and the aforementioned average six-month share price of LeRoi Shares of approximately HK$0.2448 per LeRoi Share, the Directors consider such offer price to be justifiable. The Partial Share Exchange Offer values the entire issued share capital of LeRoi at approximately HK$1,942.10 million.

Comparisons of the value of the Partial Share Exchange Offer

The market capitalisation of LeRoi was approximately HK$2,230.54 million and HK$2,115.16 million as at the Last Trading Date and the Latest Practicable Date, respectively. The highest and lowest closing prices at which LeRoi Shares were traded on the Stock Exchange during the six-month period immediately prior to the Last Trading Date, were HK$0.58 and HK$0.108 on 19 June 2009 and 20 March 2009, respectively.

Based on the closing price of HK$0.101 per WYT Share as quoted on the Stock Exchange on the Last Trading Date, the ascribed value of HK$0.2525 per LeRoi Share under the Partial Share Exchange Offer represents:

(a) a discount of approximately 12.93% to the closing price of HK$0.290 per LeRoi Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a discount of approximately 13.23% to the average closing price of approximately HK$0.291 per LeRoi Share for the last ten trading days up to and including the Last Trading Date;

(c) a discount of approximately 20.60% to the average closing price of approximately HK$0.318 per LeRoi Share for the 30-day period up to and including the Last Trading Date; and

(d) a discount of approximately 8.18% to the closing price of HK$0.275 per LeRoi Share as at the Latest Practicable Date.

Based on the closing price of HK$0.29 per LeRoi Share as quoted on the Stock Exchange on the Last Trading Date, the ascribed value of HK$0.116 per WYT Share under the Partial Share Exchange Offer represents:

(a) a premium of approximately 14.85% over the closing price of HK$0.101 per WYT Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 12.62% over the average closing price of approximately HK$0.103 per WYT Share for the last ten trading days up to and including the Last Trading Date;

(c) a premium of approximately 11.54% over the average closing price of approximately HK$0.104 per WYT Share for the 30-day period up to and including the Last Trading Date; and

(d) a premium of approximately 16.00% over the closing price of HK$0.100 per WYT Share as at the Latest Practicable Date.

Pre-Conditions to the making of the Partial Share Exchange Offer

The making of the Partial Share Exchange Offer is conditional upon the fulfillment of the Pre-Conditions, being the approvals by the WYT Shareholders at the SGM of the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate pursuant to Rule 13.36(1)(a) of the Listing Rules.

If the Pre-Conditions are satisfied on or before the Long Stop Date, WYT and LeRoi will issue a joint announcement as soon as practicable thereafter. The Pre-Conditions are not waivable. If the Pre-Conditions are not satisfied by the Long Stop Date, the Partial Share Exchange Offer may not be made (unless the Offeror extends the Long Stop Date) and the WYT Shareholders and the LeRoi Shareholders will be notified by announcement(s) as soon as practicable.

Conditions of the Partial Share Exchange Offer

The Partial Share Exchange Offer will be conditional upon the following:

(a) consent from the Executive in respect of the Partial Share Exchange Offer;

(b) valid acceptances of the Partial Share Exchange Offer being received in respect of a minimum of 1,463,835,000 LeRoi Shares by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve);

(c) approval of the Partial Share Exchange Offer, signified by means of a separate box on the Form of Approval and Acceptance specifying the number of the LeRoi Shares in respect of which the Partial Share Exchange Offer is approved, being given by the Independent LeRoi Shareholders who are registered as LeRoi Shareholders in the register of members of LeRoi as at the First Closing Date or, if the Partial Share Exchange Offer has not become unconditional in all respects on the First Closing Date, then the Final Closing Date, holding over 50% of the voting rights not held by the Offeror or parties acting in concert with it; and

(d) the Stock Exchange granting the listing of, and permission to deal in, the new WYT Shares to be allotted and issued to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate.

In the event that aggregate valid acceptances are received for less than 1,463,835,000 LeRoi Shares on the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Share Exchange Offer will lapse. As such, condition (b) above must be fulfilled by 4:00 p.m. on the First Closing Date unless the First Closing Date is extended in accordance with the Takeovers Code, or the Partial Share Exchange Offer will lapse.

In the event that valid acceptances are received in respect of an aggregate of not less than 1,463,835,000 LeRoi Shares on the First Closing Date, the Offeror will declare the Partial Share Exchange Offer unconditional as to acceptances.

In the event that valid acceptances are received in respect of an aggregate of not less than 1,463,835,000 LeRoi Shares prior to the First Closing Date, the Offeror may declare the Partial Share Exchange Offer unconditional as to acceptances before the First Closing Date.

The Final Closing Date would be the 14th day after the date on which the Partial Share Exchange Offer is declared unconditional as to acceptances or the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, whichever is earlier, and at least 21 days following the date on which the Composite Document is posted. All the Conditions must be fulfilled on or before the Final Closing Date or the Partial Share Exchange Offer will lapse.

Pursuant to Rule 28.4 of the Takeovers Code, the Offeror cannot extend the Final Closing Date.

Whether or not the Independent LeRoi Shareholders accept the Partial Share Exchange Offer, they may approve the Partial Share Exchange Offer AND specify the number of LeRoi Shares in respect of which they approve the Partial Share Exchange Offer in the Form(s) of Approval and Acceptance. Each LeRoi Share shall be entitled to ONE vote only. Multiple votes in respect of the same LeRoi Share will not be taken into account in counting the approval of the Partial Share Exchange Offer.

WARNING: The Partial Share Exchange Offer, if and when made upon fulfillment of the Pre-Conditions, may or may not become unconditional and will lapse if it does not become unconditional. Completion of the Partial Share Exchange Offer is a possibility only. WYT Shareholders and potential investors in WYT should exercise caution when dealing in the securities of WYT.

Settlement

The share certificates of WYT will be despatched to the Accepting LeRoi Shareholders as soon as practicable but in any event within 10 days following the close of the Partial Share Exchange Offer.

Stamp duty

The Offeror will bear both the ad valorem stamp duty payable by itself at a rate of HK$1.00 for every HK$1,000 or a part thereof of the consideration payable in respect of acceptances of the Partial Share Exchange Offer, and the ad valorem stamp duty payable by the Accepting LeRoi Shareholders at a rate of HK$1.00 for every HK$1,000 or a part thereof of the consideration arising on acceptances of the Partial Share Exchange Offer.

INFORMATION ON LEROI

The LeRoi Group is principally engaged in the property development in the PRC and retailing of fresh pork meat and related products. In addition, as at the Latest Practicable Date, LeRoi also indirectly holds approximately 9.02% interest in the entire issued share capital of China Agri-Products Exchange Limited ("**China Agri-Products**"), the shares of which are listed on the main board of the Stock Exchange. Mr. Chan Chun Hong, Thomas, an executive director of LeRoi, is also an executive Director.

LeRoi has made a couple of strategic business expansions in 2009. In light of the potential infrastructure boom as a result of the increasing urbanisation in densely populated countries such as the PRC, India and Indonesia, the directors of LeRoi consider that the demand for steel and hence coking coal, coke and iron ore, being the raw materials of steel manufacturing, is anticipated to increase. As disclosed in an announcement of LeRoi dated 12 June 2009, LeRoi has conditionally agreed to subscribe for 255,000,000 new shares of Abterra, representing approximately 4.77% of the enlarged issued share capital of Abterra in consideration of Abterra agreeing to subscribe for 385,000,000 new LeRoi Shares. On 31 August 2009, LeRoi announced that on 28 August 2009, it has agreed in writing with Abterra to extend the long stop date for completion of the Share Swap from 31 August 2009 to 30 November 2009 (or such other date as they may agree) because the Share Swap is pending the approval of the Singapore Exchange. Abterra and its subsidiaries are principally engaged in trading coking coal, coke and iron ore in Australia, India, Indonesia and the PRC.

On 13 July 2009, LeRoi announced the entering into of a formal agreement, pursuant to which Rich Skill Investments Limited, an indirectly wholly-owned subsidiary of LeRoi, agreed to acquire 51% of the issued share capital of Skywalker Global Resources Company Limited ("**Skywalker**") from independent third parties. Skywalker is an investment holding company incorporated under the laws of Hong Kong and its sole asset is the entire issued share capital of Skywalker Global Resources Company (PNG) Limited ("**Skywalker PNG**"). Skywalker PNG, incorporated under the laws of Papua New Guinea, is principally engaged in the business of timber logging, forest operation and management, and lawfully owns a concession right for timber logging of a total land area of around 240,000 hectares in Papua New Guinea for a term of 50 years from 3 April 2009.

The following table sets out the audited financial information of the LeRoi Group for the two financial years ended 31 March 2009:

	For the year ended 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
Turnover	84,187	69,435
Net (loss) before taxation	(58,853)	(206,601)
Net (loss) after taxation	(59,153)	(206,041)
(Loss) per LeRoi Share	(HK1.41 cents)	(HK2.68 cents)

	As at 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
Net asset value	686,606	486,835

Assuming no LeRoi Share is issued between the Latest Practicable Date and completion of the Partial Share Exchange Offer, the shareholding structure of LeRoi, both as at the Latest Practicable Date and after completion of the Partial Share Exchange Offer, is as follows:

	As at the Latest Practicable Date		**After completion of the Partial Share Exchange Offer**	
LeRoi Shareholders	*Number of LeRoi Shares held*	*Approximate shareholding* %	*Number of LeRoi Shares held*	*Approximate shareholding* %
WYT(Note) and parties acting in concert with it	2,305,000,000	29.97	3,768,835,000	49.00
Public LeRoi Shareholders	5,386,500,000	70.03	3,922,665,000	51.00
Total	7,691,500,000	100.00	7,691,500,000	100.00

Note: As at the Latest Practicable Date, WYT, through its indirect wholly-owned subsidiary, the Offeror, holds such LeRoi Shares.

INFORMATION ON WYT AND THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 22 July 2005 and is an indirect wholly-owned subsidiary of WYT as at the Latest Practicable Date. The directors of the Offeror are Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Chim Lai Fun. Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun are also the Directors. The main business of the Offeror is investment holding. The shares of WYT, a company incorporated in Bermuda, are listed on the main board of the Stock Exchange.

The principal activity of WYT is investment holding. Through its subsidiaries, WYT is principally engaged in (i) manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; and (ii) processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's". In addition, WYT also indirectly owns 2,305,000,000 LeRoi Shares, representing approximately 29.97% of the entire issued share capital of LeRoi as at the Latest Practicable Date.

As at the Latest Practicable Date, Wang On, through its indirect wholly-owned subsidiary, is the substantial shareholder of WYT, beneficially interested in approximately 21.85% of the entire issued share capital of WYT.

The following table sets out the audited financial information of the WYT Group for the two financial years ended 31 March 2009:

	For the year ended 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
Turnover	477,021	496,151
Net profit/(loss) before taxation	85,786	(345,764)
Net profit/(loss) after taxation	83,382	(345,942)
Profit/(loss) per WYT Share	HK5.21 cents	(HK17.59 cents)

	As at 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
Net asset value (excluding minority interests)	889,001	592,736

The net asset value per WYT Share amounted to approximately HK$0.295 as at 31 March 2009 (based on 2,010,351,688 WYT Shares in issue as at 31 March 2009).

None of WYT, the Offeror or parties acting in concert with any of them has dealt in LeRoi Shares in the six-month period prior to the date of the Announcement and up to and including the Latest Practicable Date. As at the Latest Practicable Date, a total of 2,412,351,688 WYT Shares are in issue and a total of 16,120,000 share options (the "**Share Options**") of WYT granted to eligible participants at exercise prices ranging from HK$0.145 to HK$0.415 per WYT Share exercisable during periods the latest of which ends on 7 January 2019 are outstanding. The exercise in full of the Share Options would result in the issue of an additional 16,120,000 WYT Shares, representing approximately 0.67% of the existing issued share capital of WYT as at the Latest Practicable Date and approximately 0.66% of the enlarged issued share capital of WYT immediately following the issue of such additional WYT Shares. Save for the Share Options, there are no outstanding options, derivatives, warrants or convertible securities which are convertible or exchangeable into WYT Shares as at the Latest Practicable Date.

Assuming all Independent LeRoi Shareholders accept the Partial Share Exchange Offer, a total of 3,659,587,500 new WYT Shares will be allotted and issued, representing approximately 151.70% of the existing issued share capital of WYT as at the Latest Practicable Date and approximately 60.27% of the enlarged issued share capital of WYT immediately following the allotment and issue of such new WYT Shares.

Assuming no WYT Share, other than those to be issued under the Partial Share Exchange Offer, is issued between the Latest Practicable Date and completion of the Partial Share Exchange Offer, the shareholding structure of WYT, both as at the Latest Practicable Date and after completion of the Partial Share Exchange Offer, is as follows:

	As at the Latest Practicable Date		**After completion of the Partial Share Exchange Offer**	
WYT Shareholders	*Number of WYT Shares held*	*Approximate shareholding %*	*Number of WYT Shares held*	*Approximate shareholding %*
Wang On *(Note)* and parties acting in concert with it	527,009,324	21.85	527,009,324	8.68
Public WYT Shareholders	1,885,342,364	78.15	5,544,929,864	91.32
Total	2,412,351,688	100.00	6,071,939,188	100.00

Note: As at the Latest Practicable Date, Wang On, through its indirect wholly-owned subsidiary, Rich Time Strategy Limited ("**Rich Time**"), holds such WYT Shares.

OFFEROR'S INTENTION IN RELATION TO THE LEROI GROUP

Reasons for the Partial Share Exchange Offer

The WYT Group has been exploring new business opportunities with a view to diversifying its existing business scope and improving its financial performance.

As stated above, the LeRoi Group is principally engaged in, among others, property development in the PRC. As stated in the annual report of LeRoi (the "**LeRoi Annual Report**") for the year ended 31 March 2009, the LeRoi Group held land sites, with an aggregate site area of approximately 3.1 million square feet, located in Fuzhou, Jiangxi Province, the PRC and Dongguan, Guangdong Province, the PRC, respectively. It is intended that these land sites will be developed into residential cum commercial complex. Taking into consideration the economic development, the increasing population and the increasing annual disposable income per capita in the PRC and the development potential of the property market in the PRC, the Directors believe that LeRoi's property development business in the PRC may provide future earnings enhancement to LeRoi.

The Directors also note the new business ventures of the LeRoi Group, including, among others, the aforementioned proposed acquisition of interest in Skywalker which is principally engaged in timber business, details of which were disclosed in an announcement of LeRoi dated 13 July 2009 and the LeRoi Annual Report, and potential strategic alliance with Abterra, which, together with its subsidiaries, is principally engaged in trading coking coal, coke and iron ore in Australia, India, Indonesia and the PRC, details of which were disclosed in an announcement of LeRoi dated 12 June 2009 and the LeRoi Annual Report.

Having considered the above, despite the fact that LeRoi has been loss-making in recent years, the Directors believe that LeRoi's prospects are promising. The Directors also believe that the significant shareholding increase in LeRoi, which may result from the Partial Share Exchange Offer, will strengthen the relationship between LeRoi and WYT.

Intention of the Offeror and WYT regarding LeRoi

Neither the Offeror nor WYT intends to make any changes to the current business operations of LeRoi or the board composition of LeRoi.

CONSENT FROM THE EXECUTIVE FOR THE PARTIAL SHARE EXCHANGE OFFER

Pursuant to Rule 28.1 of the Takeovers Code, the Executive has consented to the Offeror making the Partial Share Exchange Offer.

VALUATION OF THE PROPERTY INTERESTS OF EACH OF THE WYT GROUP AND THE LEROI GROUP

To comply with the Listing Rules, the Company has engaged Savills Valuation and Professional Services Limited to value the property interests of each of the LeRoi Group and the WYT Group. Details of the valuation reports are set out in Appendix IV and Appendix V, respectively, to this circular. Disclosures of the reconciliation of net book value and the valuation as required under Rule 5.07 of the Listing Rules are set out below:

	Properties under valuation
	HK$'000
Net book value of the WYT Group's properties as at 31 March 2009 as set out in the annual report of the WYT Group as at 31 March 2009	112,244
Add: Revaluation gain	51,954
Valuation of the properties as at 31 July 2009	164,198*

* *Valuation of the properties of the WYT Group as at 31 July 2009 has been translated into HK$ at the exchange rate of RMB0.8803 to HK$1.00.*

	Properties under valuation
	HK$'000
Net book value of the LeRoi Group's properties as at 31 March 2009 as set out in the annual report of the LeRoi Group as at 31 March 2009	457,900
Add: Revaluation gain	10,000
Valuation of the properties as at 31 July 2009	467,900

FINANCIAL EFFECTS OF THE PARTIAL SHARE EXCHANGE OFFER ON THE ENLARGED GROUP

Assuming the Partial Share Exchange Offer and the early redemption ("**Early Redemption**") of the Convertible Bonds in full and the Loan Agreement are completed, WYT will have 49% equity interest in LeRoi, LeRoi will remain an associate company of WYT and LeRoi's financial results will continue to be accounted for under the equity accounting method by WYT.

Assuming the Partial Share Exchange is completed while the Early Redemption and the Loan Agreement do not proceed, LeRoi would be deemed as a subsidiary of WYT and be accounted for as a subsidiary given its 49% equity interest in LeRoi and its power to control the board of directors and operation of LeRoi if the conversion option embedded in the unlisted note is exercised, which would increase the Company's equity interest in LeRoi to 57.71%.

Appendix III to this circular sets out unaudited pro forma financial information of the Enlarged Group based on the audited consolidated financial statements of the Group for the year ended/as at 31 March 2009 as set out in Appendix I to this circular and adjustments to reflect the effect as if (i) the Partial Share Exchange Offer and the Early Redemption and the Loan Agreement had been completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement; or (ii) the Partial Share Exchange Offer had completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement, but assuming that the Early Redemption and the Loan Agreement do not proceed.

Effects on assets and liabilities

As stated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon completion of the Partial Share Exchange Offer but assuming that the Early Redemption and the Loan Agreement do not proceed, the respective pro forma total assets and pro forma total liabilities of the Enlarged Group would amount to approximately HK$1,485.9 million and approximately HK$201.4 million, which represent an increase of approximately 97.3% in total assets and approximately 31.1% in total liabilities as compared to the respective total assets and total liabilities of the Company of approximately HK$753.1 million and approximately HK$153.6 million as at 31 March 2009.

As stated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon completion of (i) the Partial Share Exchange Offer; and (ii) the Early Redemption and the Loan Agreement, the respective pro forma total assets and pro forma total liabilities of the Enlarged Group would amount to approximately HK$1,206.9 million and approximately HK$153.6 million, which represent an increase of approximately 60.3% in total assets and no difference in total liabilities as compared to the respective total assets and total liabilities of the Company of approximately HK$753.1 million and approximately HK$153.6 million as at 31 March 2009.

Effects on earnings

The loss for the year attributable to equity holders of the Company for the financial year ended 31 March 2009 was approximately HK$345.9 million. On the basis of the above and on the assumption that the Enlarged Group was formed on 1 April 2008, the Directors are of the view that (i) upon completion of Partial Share Exchange Offer but assuming the Early Redemption and the Loan Agreement do not proceed, the net loss attributable to equity holders of the Company is expected to decrease to approximately HK$131.8 million; and (ii) upon completion of both the Partial Share Exchange Offer and the Early Redemption and the Loan Agreement, the net loss for the Group is expected to increase to approximately HK$408.4 million.

VERY SUBSTANTIAL ACQUISITION AND ALLOTMENT AND ISSUE OF NEW WYT SHARES

As the highest of the percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the acquisition of LeRoi Shares by WYT pursuant to the Partial Share Exchange Offer is more than 100%, such acquisition will constitute a very substantial acquisition for WYT under the Listing Rules. The Partial Share Exchange Offer is therefore subject to the approval by the WYT Shareholders at the SGM. The allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate is also subject to the approval by WYT Shareholders at the SGM pursuant to Rule 13.36(1)(a) of the Listing Rules. As the interest of all the WYT Shareholders in the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate is the same, no WYT Shareholder or his associate(s) is required to abstain from voting at the SGM.

The resolution(s) to be considered and, if thought fit, approved at the SGM will be voted on by way of a poll by the WYT Shareholders.

As at the Latest Practicable Date, the Offeror owns 2,305,000,000 LeRoi Shares, representing approximately 29.97% of the entire issued share capital of LeRoi. Mr. Chan Chun Hong, Thomas, an executive Director, is also an executive director of LeRoi. Save for the foregoing, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, LeRoi and its ultimate beneficial owner, other than the Offeror, are third parties independent of and not connected with WYT and its connected persons.

The new WYT Shares to be issued under the Partial Share Exchange Offer shall rank *pari passu* with all other WYT Shares in issue as at the date of allotment. An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the new WYT Shares to be issued under the Partial Share Exchange Offer.

THE LOAN AGREEMENT

Background

On 28 August 2009, LeRoi issued a notice to Gain Better, being the holder of the Convertible Bonds, to request Early Redemption conditional upon (among other things) the Partial Share Exchange Offer becoming unconditional in all respects and the Loan Agreement and the transaction(s) contemplated thereunder being approved by the WYT Shareholders.

On 28 August 2009, LeRoi and Gain Better also entered into the Loan Agreement pursuant to which Gain Better agreed to grant to LeRoi the Loan.

Terms of the Loan Agreement

Date:	28 August 2009
Lender:	Gain Better, an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
Borrower:	LeRoi
Loan:	HK$190 million
Term:	four (4) years commencing from the drawdown date
Repayment:	LeRoi may at any time prepay the whole or in part in a minimum amount of HK$5,000,000 and if for a larger amount, in an integral multiple of HK$1,000,000 of the outstanding principal amount of the Loan, together with all accrued interest thereon to Gain Better
Conditions precedent:	(i) the Partial Share Exchange Offer becoming unconditional in all respects; (ii) the Loan Agreement and the transaction(s) contemplated thereunder being approved by the WYT Shareholders; (iii) full compliance with the applicable requirements of the Listing Rules and the Takeovers Code; (iv) the representations and warranties contained in the Loan Agreement being and remaining true and correct on the drawdown date; and (v) no event has occurred and is continuing as of the drawdown date, or would result from LeRoi's borrowing of the Loan, which would constitute an event of default under the Loan Agreement.

The Loan is unsecured and carries an interest rate of 8% per annum which was determined after commercial and arm's length negotiation between relevant parties to the Loan Agreement with reference to factors including, among others, (i) the 8% interest rate of the Previous Loan Facility; (ii) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum; (iii) the financial position of LeRoi; and (iv) the 3% coupon rate of the Convertible Bonds.

Pursuant to the Loan Agreement, Gain Better shall make available the Loan to LeRoi by way of a discharge of the obligations of LeRoi in repayment of the outstanding principal amount of HK$190,000,000 under the Convertible Bonds.

Gain Better is principally engaged in investment holding and, as at the Latest Practicable Date, is an indirect wholly-owned subsidiary of the Company, which indirectly owns 2,305,000,000 LeRoi Shares, representing approximately 29.97% of the entire issued share capital of LeRoi. Mr. Chan Chun Hong, Thomas, an executive Director and a director of Gain Better, is also an executive director of LeRoi. Save for the foregoing, to the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, LeRoi and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

The Previous Loan Facility

Pursuant to the loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi, Gain Better agreed to grant the Previous Loan Facility to LeRoi. The Previous Loan Facility is a two-year unsecured loan facility of HK$10 million and is intended to be used as working capital of LeRoi. The Previous Loan Facility carries an interest rate of 8% per annum which was determined with reference to (i) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum; and (ii) the financial position of LeRoi.

Reasons for and benefits of the Loan and the Previous Loan Facility for the Company

The WYT Group is principally engaged in (i) manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; and (ii) processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's".

LeRoi together with its subsidiaries are principally engaged in property development in the PRC and the retailing of fresh pork meat and related products.

LeRoi and Gain Better entered into the Loan Agreement and the Previous Loan Facility to facilitate Early Redemption and for working capital purpose of LeRoi, respectively. The unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular shows that the Early Redemption would result in a net loss of approximately HK$18.3 million to the Enlarged Group, which is subject to valuation of options embedded in the Convertible Bonds as at the date of completion of the Early Redemption. In consideration of the factors including, assuming the Partial Share Exchange Offer can become unconditional, (i) the aforementioned net loss is non-cash in nature;

(ii) upon completion of the Partial Share Exchange Offer and the Early Redemption and the Loan Agreement, the Company will have 49% equity interest in LeRoi, LeRoi will remain an associate company of the Company and LeRoi's financial results will continue to be accounted for under the equity accounting method by the Company; (iii) the higher interest rate of the Loan, being 8% per annum, than the coupon rate of the Convertible Bonds, being 3% per annum; and (iv) secured interest income to be generated by the Loan and the Previous Loan Facility, the Directors consider that the Loan and the Previous Loan Facility can generate a higher return to the Shareholders and are of the view that the Company's facilitating the Early Redemption is justifiable, the terms of the Loan Agreement and the Previous Loan Facility are on normal commercial terms, and fair and reasonable as far as the Shareholders are concerned and thus the entering into of the Loan Agreement and the Previous Loan Facility are in the interests of the Group and the Shareholders as a whole.

Financial effects of the Previous Loan Facility and the Loan

The Directors consider that there will be no significant impact on the assets, liabilities and earnings of the Group as a result of the Previous Loan Facility and the Loan, subject to valuation on the Convertible Bonds.

General

The transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules.

As the interest of all WYT Shareholders in the Loan Agreement is the same, no WYT Shareholder or his associate(s) is required to abstain from voting at the SGM. All resolutions to be considered and, if thought fit, passed at the SGM will be voted by way of poll by the WYT Shareholders.

THE SGM

A notice convening the SGM to be held at 11/F., Two Exchange Square, Central, Hong Kong on Friday, 2 October 2009 at 10:00 a.m. is set out on pages N-1 to N-3 of this circular for the purpose of considering and, if thought fit, approving the resolutions in respect of (i) the Partial Share Exchange Offer and the allotment and issue of new WYT Shares to the Accepting LeRoi Shareholders in connection with the Partial Share Exchange Offer under a specific mandate, and (ii) the Loan Agreement and the transaction(s) contemplated thereunder.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Board is of the opinion that the terms of the Partial Share Exchange Offer and the Loan Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the WYT Shareholders as a whole. Accordingly, the Directors recommend that the WYT Shareholders vote in favour of the ordinary resolutions set out in the notice of the SGM on pages N-1 to N-3 of this circular to be proposed at the SGM to approve the Partial Share Exchange Offer and the Loan Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the notice of the SGM and the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman

* *For identification purpose only*

The following is the text of a letter of advice from Nuada Limited to the board of directors of WYT for the purposes of Rule 2.4 of the Takeovers Code.

Nuada Limited
Corporate Finance Advisory

7th Floor, New York House
60 Connaught Road Central
Hong Kong

16 September 2009

To the board of directors of WYT

Dear Sirs,

**Possible voluntary conditional partial share exchange offer by
Kingston Securities Limited
on behalf of Gain Better Investments Limited, a wholly-owned subsidiary of
Wai Yuen Tong Medicine Holdings Limited,
to acquire 1,463,835,000 shares in the capital of
LeRoi Holdings Limited
from the Independent LeRoi Shareholders**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the board of directors of WYT (the "**WYT Board**") with respect to the Partial Share Exchange Offer, details of which are set out in the letter from the board of directors of WYT contained in the circular issued by WYT dated 16 September 2009 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as ascribed to them under the Circular.

As stated in the Announcement, WYT approached the board of directors of LeRoi on 14 August 2009 stating its consideration to make a possible voluntary conditional partial share exchange offer to acquire 1,463,835,000 LeRoi Shares from the Independent LeRoi Shareholders, representing approximately 19.03% of the issued LeRoi Shares as at the date of the Announcement. The Partial Share Exchange Offer will be made by Kingston on behalf of the Offeror to the Independent LeRoi Shareholders on the basis of five (5) new WYT Shares for every two (2) LeRoi Shares. Accordingly, 3,659,587,500 new WYT Shares, representing approximately 151.70% of the existing issued share capital of WYT or approximately 60.27% of the enlarged issued share capital of WYT immediately following the allotment and issue of the new WYT Shares, will be allotted and issued as consideration for the acquisition of 1,463,835,000 LeRoi Shares from the Independent LeRoi Shareholders.

The making of the Partial Share Exchange Offer is conditional upon the fulfillment of the Pre-Conditions and the Conditions, as detailed in the sections headed "Pre-Conditions to the making of the Partial Share Exchange Offer" and "Conditions of the Partial Share Exchange Offer" respectively in the Board's Letter. As at the Latest Practicable Date, the Offeror owns 2,305,000,000

LeRoi Shares, representing approximately 29.97% of the entire issued share capital of LeRoi. If the Partial Share Exchange Offer becomes unconditional in all respects, upon completion of the Partial Share Exchange Offer, WYT, through the Offeror, will beneficially own 3,768,835,000 LeRoi Shares, representing 49.00% of the entire issued share capital of LeRoi.

As the WYT Shares to be allotted and issued as a result of the Partial Share Exchange Offer may exceed 100% of the existing issued share capital of WYT, the Partial Share Exchange Offer constitutes a reverse takeover under Note 2 of Rule 2.4 of the Takeovers Code. In this regard, we have been appointed as independent financial adviser for the purposes of Rule 2.4 of the Takeovers Code to provide our advice to the board of directors of WYT as to whether or not the Partial Share Exchange Offer in the interests of WYT and WYT Shareholders as a whole. This letter of advice is prepared for the sole purposes of Rule 2.4 of the Takeovers Code and shall not be quoted or referred to, in whole or in part, for any other purposes without our prior written consent.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by WYT and its directors and management, which we have assumed to be true, accurate and complete at the time when they were made and continued to be true, accurate and complete up to the close of the Partial Share Exchange Offer. We have also assumed that all statements of belief, opinion and intention made by the board of directors of WYT in the Circular were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information, including the relevant information and documents provided by WYT and its directors and management, the information published by WYT and LeRoi, the official statistics published by the National Bureau of Statistics of China and the market information available from the website of the Stock Exchange, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have assumed that the information and documents reviewed and relied on by us in formulating our opinions are true, accurate and complete at the time when they were made and continued to be true, accurate and complete up to the close of the Partial Share Exchange Offer. Having made all reasonable enquiries, the board of directors of WYT has confirmed that, to the best of its knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by WYT and its directors and management and the information published by LeRoi, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the WYT Group and/or the LeRoi Group.

In formulating our advices, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advices to the board of directors of WYT with respect to the Partial Share Exchange Offer, we have considered the principal factors and reasons as set out below:

Background and reasons for the Partial Share Exchange Offer

The WYT Group is principally engaged in (i) manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; and (ii) processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's". In addition, WYT also indirectly interested in 2,305,000,000 LeRoi Shares, representing approximately 29.97% of the issued share capital of LeRoi as at the Latest Practicable Date.

The LeRoi Group is principally engaged in property development in the PRC and retailing of fresh pork meat and related products. Reference is made to the 2009 annual report of LeRoi (the "**2009 LeRoi Annual Report**"). For the financial year ended 31 March 2009 ("**FY2009**"), the LeRoi Group recorded an audited loss attributable to equity holders of approximately HK$206.0 million, part of which was attributable to loss from discontinued operations (i.e. property investment) of approximately HK$20.1 million. Apart from the loss from discontinued operations, the audited loss attributable to equity holders of the LeRoi Group for FY2009 was mainly attributable to (i) a number of non-operational and recoverable or one-off impairment losses, including impairment of prepaid lease payments of approximately HK$95.5 million, impairment of goodwill of approximately HK$1.9 million and impairment of interest in an associate of approximately HK$44.2 million; (ii) loss on deemed disposal of interest in an associate of approximately HK$9.1 million which is non-operational and one-off in nature; and (iii) the recognisation of unrealised loss in relation to fair value changes on financial assets at fair value through profit or loss of approximately HK$19.8 million.

According to the 2009 LeRoi Annual Report, the LeRoi Group had net assets of approximately HK$486.8 million as at 31 March 2009. As mentioned above, property development in the PRC is one of the principal businesses of the LeRoi Group. As at 31 March 2009, the prepaid lease payments, comprising of leasehold land situated in the PRC held under long-term leases, and property under development of the LeRoi Group in aggregate amounted to approximately HK$478.2 million, representing approximately 67.2% of the total assets of the LeRoi Group. It is noted that the LeRoi Group did not have any bank borrowings and no assets was being pledged to secure banking facilities as at 31 March 2009. According to the 2009 LeRoi Annual Report, the LeRoi Group's property development portfolio in the PRC (the "**PRC Properties**") as at the date thereof was as follows:

City/Province	**Percentage of ownership interest**	**Approximate site area** *(square feet)*	**Development plan**
Fuzhou, Jiangxi Province	100%	2,400,000	Residential cum commercial complex
Dongguan, Guangdong Province	100%	690,000	Residential cum commercial complex
Total		**3,090,000**	

According to the National Bureau of Statistics of China, the total population in the PRC at end 2007 reached approximately 1.32 billion, representing an increase of approximately 15.8% as compared to approximately 1.14 billion at end 1990. The gross domestic product of the PRC had recorded constant growth from approximately RMB1,866.8 billion in 1990 to approximately RMB30,067.0 billion in 2008, representing an increase of approximately 1,510.6%. The annual disposable income of urban households in the PRC had also recorded continuous rise to approximately RMB13,785.8 in per capita 2007, representing an increase of approximately 812.9% as compared to approximately RMB1,510.2 per capita in 1990. Furthermore, during the period from 1999 to 2007, the floor spaces of residential buildings sold in the PRC had been increasing from approximately 130.0 million square meters to approximately 701.4 million square meters, representing an increase of approximately 439.5%, with the total sale of residential buildings increased approximately 959.1% from approximately RMB241.4 billion to RMB2,556.6 billion, and the average selling price of residential buildings increased approximately 96.3% from approximately RMB1,857 per square meter to RMB3,645 per square meter. As shown by the price indices for real estate in the PRC as published by the National Bureau of Statistics of China, during the period from 1999 to 2007, both the sales price of houses and transactions price of land had been increasing, in particular with the sales price of commercialised residential buildings and second-hand residential buildings increased approximately 8.2% and 7.4% respectively, and the transactions price of land for residential use increased approximately 13.7% in 2007 as compared to that in 2006.

According to the 2009 LeRoi Annual Report, impairment loss of prepaid lease payments was recognised in FY2009 by reference to the valuation report issued by an independent qualified professional valuers at 31 March 2009 which valued the assets on market value basis. Notwithstanding the impairment of prepaid lease payments for FY2009 which was due to devaluation of the assets based on the fair value of the assets at 31 March 2009 as appraised by the independent qualified professional valuers on market value basis, taking into consideration the economic development in the PRC in view of the increasing population, gross domestic product and the annual disposable income per capita in the PRC and the development potential of the property market in the PRC, should the property market of the PRC revives, there may be potential appreciation of the value of the PRC Properties, and thus may benefit the LeRoi Group with the potential increase in asset value and commercial value in relation to the PRC Properties. For reference purpose, according to the National Bureau of Statistics of China, from January to July 2009, the floor spaces of commercial buildings sold accounted for 417.55 million square meters, surging up 37.1% year-on-year, of which the floor spaces of residential buildings sold increased 38.8%, and the total sales of commercial buildings amount to RMB1,960.0 billion, up by 60.4% year-on-year, of which the sales of commercial residential buildings surged 65.3%. According to the latest valuation on the PRC Properties as appraised by Savills Valuation and Professional Services Limited set out in Appendix IV to the Circular, the appraised value of the PRC Properties as at 31 July 2009 was in aggregate HK$467.9 million, representing a revaluation surplus of approximately HK$10 million against that of HK$457.9 million as at 31 March 2009.

Furthermore, although the financial results of LeRoi Group for FY2009 was adversely affected by a number of non-operational items, including impairment losses and fair value changes on financial assets, as mentioned above, the retailing of fresh pork meat and related products business of the LeRoi Group had been generating steady income and cash flow for the LeRoi Group. The continuing operations of the LeRoi Group recorded an increase in turnover of approximately 38.2% from approximately HK$44.7 million for the financial year ended 31 March 2008 to approximately HK$61.8 million for FY2009, which was attributable to the sales of fresh pork meat and related products. According to the 2009 LeRoi Annual Report, this is primarily due to the increase of number of shops and the product price of the fresh pork retailing business. The gross profit of the retailing of fresh pork meat and related products business also recorded an increase from approximately HK$15.0 million to approximately HK$23.1 million for FY2009, with an increase in gross profit margin from approximately 33.6% to 37.3% mainly due to the price increase of pork on the market.

It is also noted that during the year of 2009, couples of acquisitions had been proposed by the directors of LeRoi with an aim to diversify the business of the LeRoi Group into the businesses of trading coking coal, coke and iron ore in Australia, India, Indonesia and China, and timber logging, forest operation and management respectively, details of which are set out in the announcement dated 12 June 2009 and 13 July 2009 respectively issued by LeRoi and the 2009 LeRoi Annual Report. As stated in the 2009 LeRoi Annual Report, the LeRoi endeavors to develop a diversified business portfolio in different locations, and the LeRoi Group will maintain its steady focus on its existing business and yet remain strategically focused on the future expansion. For reference purpose, according to the "International Energy Outlook 2009" published by the Energy Information Administration, the official energy statistical agency of the United States Government, world coal consumption increases over the projection period by 49% from 127.5 quadrillion Btu in 2006 to 190.2 quadrillion Btu in 2030 and coal's share of world energy consumption increases from 27% in 2006 to 28% in 2030. In addition, for reference purpose, according to market research, data from International Tropical Timber Organisation shows that forest coverage in timber-producing regions such as Africa, Asia and Latin America has been declining from 52.7% in 1985 to 46.4% in 2008 as a result of increased environmental awareness and policies by these regions to tighten wood supply which resulted in a decline of global timber supply, but World Wide Fund For Nature estimates that the volume of wood needed will record an annual growth rate of 10% through 2010.

Having considered the audited net loss of LeRoi for FY2009 was mainly attributable to the loss from discontinued operations and a number of non-operational items, including various recoverable or one-off impairment losses, one-off loss on deemed disposal and unrealised loss in relation to fair value changes on financial assets, and the potentials of the property development business of the LeRoi Group, against the backdrop of its retailing business with steady income, as well as its possible new business ventures in the field of natural resources (including timber, coking coal, coke and iron ore) for business diversification as detailed above, we consider that the Partial Share Exchange Offer would enable the WYT Group to enlarge its investments in LeRoi with no cash outlay, other than the expenses incurred in relation to the Partial Share Exchange Offer, from the WYT Group by way of securities exchange under the Partial Share Exchange Offer, capturing the potential opportunities in the LeRoi Group's future business development, as LeRoi will remain as an associate company of WYT and LeRoi's financial results will continue to be accounted for under the equity accounting method by WYT assuming the early redemption of the Convertible Bonds or will be deemed as a subsidiary of WYT assuming the Convertible Bonds are not redeemed and LeRoi's financial results will be accounted for as a subsidiary of WYT as stated in the Circular. As compared to the alternative to increase the interests in LeRoi through the conversion of the Convertible Bonds which had been generating interest income to WYT and the principal amount of which would be repaid at maturity if the Convertible Bonds had not previously been converted or redeemed, the Partial Share Exchange Offer presents a non-cash means to acquire interests in LeRoi. We, however, would like to emphasise that our advice herein does not in any manner constitutes forecasts regarding the property market in the PRC, the natural resources (including timber, coking coal, coke and iron ore) market nor the value of the properties of the LeRoi Group, nor profit forecasts regarding the business of the LeRoi Group and/or its proposed new business ventures.

Liquidity of the WYT Shares and shareholders' base of WYT

As at the Latest Practicable Date, WYT has 2,412,351,688 WYT Shares in issue with a market capitalisation of approximately HK$241.2 million based on the closing price of HK$0.1 per WYT Share as quoted on the Stock Exchange. Assuming the Partial Share Exchange Offer becomes unconditional in all respects, WYT will allot and issue 3,659,587,500 new WYT Shares and the issued share capital of WYT will be enlarged to 6,071,939,188 WYT Shares, representing an increase of approximately 151.7%.

As a result of the allotment and issue of the new WYT Shares under the Partial Share Exchange Offer to the Accepting LeRoi Shareholders, based the mechanism as detailed in the section headed "Pro rata entitlement of the Independent LeRoi Shareholders under the Partial Share Exchange Offer" in the Announcement, the shareholders' base of WYT and the size of the WYT Shares in public hands will be increased, which in turn would improve the liquidity of the WYT Shares. In view of the enlarged shareholders' base of WYT and the improved liquidity of the WYT Shares, we consider that the Partial Share Exchange Offer is in the interests of WYT and the WYT Shareholders as a whole.

Comparisons of value

Based on the closing price of the WYT Shares of HK$0.101 per WYT Share as quoted from the Stock Exchange on the Last Trading Date, the ascribed value per LeRoi Share under the Partial Share Exchange Offer is HK$0.2525 (the "**LeRoi Ascribed Value**"). Based on the closing of the LeRoi Shares of HK$0.290 per LeRoi Share as quoted on the Stock Exchange on the Last Trading Date, the ascribed value per WYT Share under the Partial Share Exchange Offer is HK$0.116 (the "**WYT Ascribed Value**").

We have demonstrated the comparison (the "**Comparison**") of the LeRoi Ascribed Value with the closing price of the LeRoi Shares on the Last Trading Day and the average closing prices of the LeRoi Shares up to and including to the Last Trading Day (the "**LeRoi Reference Closing Prices**"), and the WYT Ascribed Value with the closing price of WYT Shares on the Last Trading Day and the average closing price of the WYT Shares up to and including the Last Trading Day ("**WYT Reference Closing Prices**") as follows:

	LeRoi Reference Closing Prices	Premium/ (Discount) represented by the LeRoi Ascribed Value over/to LeRoi Reference Closing Prices	WYT Reference Closing Prices	Premium/ (Discount) represented by the WYT Ascribed Value over/to the WYT Reference Closing Prices
Closing price on the Last Trading Date	HK$0.290	(12.93)%	HK$0.101	14.85%
10-day average closing price up to and including the Last Trading Date	HK$0.291	(13.23)%	HK$0.103	12.62%
30-day average closing price up to and including the Last Trading Date	HK$0.318	(20.60)%	HK$0.104	11.54%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Given the LeRoi Ascribed Value represents discount to the LeRoi Closing Reference Prices and the WYT Ascribed Value represents premium to the WYT Closing Reference Prices as illustrated in the Comparison, we consider that the exchange ratio of five (5) WYT Shares per two (2) LeRoi Shares under the Partial Share Exchange Offer is acceptable, and fair and reasonable so far as WYT and the WYT Shareholders are concerned.

Nevertheless, it should be noted the fact that the market prices of the WYT Shares and the LeRoi Shares would fluctuate during and after the Partial Share Exchange Offer and the ascribed value of the LeRoi Shares and the ascribed value of the WYT Shares under the Partial Share Exchange Offer would change accordingly from time to time, and it is uncertain whether the market prices of the LeRoi Shares and/or the WYT Shares would rise or not and whether the ascribed value of the LeRoi Shares and/or the WYT Shares under the Partial Share Exchange Offer would represent discounts or premiums to their respective market prices during and after the Partial Share Exchange Offer (whether the Partial Share Exchange Offer becomes unconditional or not).

Financial effects

(i) *Assets*

As at 31 March 2009, the WYT Group had audited net assets of approximately HK$592.7 million as at 31 March 2009. Based on Scenario 1 of the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the proposed (a) acquisition of additional 1,463,835,000 LeRoi Shares from the Independent LeRoi Shareholders under the Partial Share Exchange Offer; (b) offer of the Loan of HK$190,000,000, which carries interest at 8% per annum, to LeRoi solely for the redemption of the Convertible Bonds; and (c) redemption of the Convertible Bonds (collectively, the "**Transactions**") as disclosed in Appendix III to the Circular (the "**Scenario 1 Unaudited Pro Forma Financial Information**"), the net assets attributable to equity holders of the Enlarged Group as at 31 March 2009 would have been increased by approximately HK$453.8 million from HK$592.7 million to approximately HK$1,046.5 million (including the estimated goodwill arising from the acquisition of interest in LeRoi through the Partial Share Exchange Offer of approximately HK$391.0 million), as stated on pages III-5 and III-6 of Appendix III to the Circular, assuming the Transactions had been completed of 31 March 2009. Based on Scenario 2 of the unaudited pro forma financial information on the Enlarged Group illustrating the effect of the proposed acquisition of additional 1,463,835,000 LeRoi Shares from the Independent LeRoi Shareholders under the Partial Share Exchange Offer as disclosed in Appendix III to the Circular (the "**Scenario 2 Unaudited Pro Forma Financial Information**"), the net assets attributable of equity holders of the Enlarged Group as at 31 March 2009 would have been increased by approximately HK$436.7 million from approximately HK$592.7 million to HK$1,029.4 million (including the estimated goodwill arising from the acquisition of interest in LeRoi through the Partial Share Exchange Offer of approximately HK$382.6 million), as stated on pages III-16 and III-17 of Appendix III to the Circular, assuming the Partial Share Exchange Offer had been completed on 31 March 2009. Given the positive net asset position of the LeRoi Group, the Partial Share Offer would enlarge the asset base of the WYT Group. It should be noted that as stated in the Unaudited Pro Forma Financial Information, since the actual fair values of the assets, liabilities and contingent liabilities of LeRoi and the fair value of the WYT Shares on completion of the Partial Share Exchange Offer may be different from the carrying amount of the consolidated net assets of LeRoi as at 31 March 2009, the carrying amount of the interests in the associates and goodwill may be different from the estimated amount shown in the unaudited pro forma consolidated balance sheet of the Enlarged Group at the date of completion of the Partial Share Exchange Offer. For details regarding the Scenario 1 Unaudited Pro Forma Financial Information and the Scenario 2 Unaudited Pro Forma Financial Information, please refer to pages III-1 to III-23 of Appendix III to the Circular.

Nevertheless, it should be noted the dilution effect on shareholdings of the existing WYT Shareholders in WYT caused by the allotment and issue of new WYT Shares as consideration for the LeRoi Shares under the Partial Share Exchange Offer as a result of which the net asset value per WYT Share would be diluted accordingly. Taking into account the LeRoi Ascribed Value which represents discount to the LeRoi Reference Closing Prices and the WYT Ascribed Value which represents premium to the WYT Reference Closing Prices, no cash outlay, other than expenses incurred in relation to the Partial Share Exchange Offer, from the WYT Group would be involved for acquiring interests in LeRoi by securities exchange under the Partial Share Exchange Offer, and the existing shareholdings of WYT would be diluted proportionately, we consider that such dilution effect is justifiable, and fair and reasonable so far as WYT and the WYT Shareholders are concerned.

(ii) *Earnings*

For FY2009, the WYT Group recorded audited loss attributable to equity holders of approximately HK$345.9 million. Based on the Scenario 1 Unaudited Pro Forma Financial Information, the loss attributable to the equity holders of the Enlarged Group for the year ended 31 March 2009 would have been increased by approximately HK$62.5 million from approximately HK$345.9 million to approximately HK$408.4 million, as stated on page III-4 of Appendix III to the Circular, assuming the Transactions had been completed on 1 April 2008, which is mainly attributable to the increase in share of result of LeRoi for the increase in equity interest of 19.03%. Based on the Scenario 2 Unaudited Pro Forma Financial Information, the loss attributable to the equity holders of the Enlarged Group for the year ended 31 March 2009 would have been decreased by approximately HK$214.1 million from approximately HK$345.9 million to approximately HK$131.8 million, as stated on page III-15 of Appendix III to the Circular, assuming the Partial Share Exchange Offer had been completed on 1 April 2008, which is mainly attributable to the elimination of change in fair value of options embedded in the Convertible Bonds, as shown in the Scenario 2 Unaudited Pro Forma Financial Information, is accounted for as a subsidiary because WYT has the power to control the board of directors and operation by holding the conversion option embedded in the Convertible Bonds to acquire additional equity interest in LeRoi according to page III-3 of Appendix III to the Circular. It should be noted that such elimination is non-operational in nature. For details regarding the financial results of the LeRoi Group for FY2009, please refer to the section headed "Background and reasons for the Partial Share Exchange Offer" above. For details regarding the Scenario 1 Unaudited Pro Forma Financial Information and the Scenario 2 Unaudited Pro Forma Financial Information, please refer to pages III-1 to III-23 of Appendix III to the Circular. It should also be noted the actual financial effects of the acquisition of 19.03% interest in LeRoi upon completion of the Partial Exchange Share Offer on the profit or loss of the WYT Group would only be reflected in the next published audited financial statements of the WYT Group for the financial year ending 31 March 2010 or any next published audited financial statements of the WYT Group, whichever is the earlier upon completion of the Partial Exchange Share Offer.

(iii) *Working capital, liquidity and gearing*

Given there would be no cash outlay, other than expenses incurred in relation to the Partial Exchange Offer, from the WYT Group under the Partial Share Exchange Offer, the amount of cash and bank balances of WYT Group would have no material change as a result of the Partial Share Exchange Offer, and no immediate material adverse impact on the liquidity position and gearing level of the WYT Group would be expected as a result of the Partial Share Exchange Offer.

Recommendation

Having considered that (i) the Partial Share Exchange Offer would enable the WYT Group to enlarge its investments in LeRoi and to capture the potential opportunities in the LeRoi Group's future business development with no cash outlay, other than the expenses incurred in relation to the Partial Share Exchange Offer, from the WYT Group by way of securities exchange under the Partial Share Exchange Offer, in view of the potentials of the property development business of the LeRoi Group, against the backdrop of its retailing business with steady income, as well as its possible new business ventures in the field of natural resources (including timber, coking coal, coke and iron ore) for business diversification; (ii) the Partial Share Exchange Offer would improve the liquidity of the WYT Shares and enhance the shareholders' base of WYT; (iii) the Ascribed LeRoi Value represents discount to the LeRoi Reference Closing Prices and the Ascribed WYT Value represents premium to the WYT Reference Closing Prices; and (iv) the Partial Share Exchange Offer would enlarge the asset base of the WYT Group given the positive net asset position of the LeRoi Group, and would have no material impact on the liquidity position and gearing level of the WYT Group as no cash outlay, other than expenses incurred in relation to the Partial Share Exchange Offer, from the WYT Group in involved in the Partial Share Exchange Offer, we consider the Partial Share Exchange Offer is in the interests of WYT and WYT Shareholders as a whole.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. FINANCIAL SUMMARY OF THE WYT GROUP

The following financial summary has been extracted from the audited consolidated financial statements of the WYT Group for the three years ended 31 March 2009 as published in the relevant annual reports of the Company. No qualified opinions were issued by the Company's auditors for any of the three years ended 31 March 2009.

Results

	For the year ended 31 March		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	496,151	477,021	381,266
Gross profit	228,673	221,409	175,314
(Loss)/Profit before taxation	(345,764)	85,786	10,905
Income tax expense	(178)	(2,404)	(982)
(Loss)/Profit for the year	(345,942)	83,382	9,923
Attributable to:			
Equity holders of the Company	(345,906)	83,767	9,895
Minority interests	(36)	(385)	28
	(345,942)	83,382	9,923
(Loss)/earnings per Share			
— Basic and diluted	(17.59 cents)	5.21 cents	0.71 cents

Assets and liabilities

	As at 31 March		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Total non-current assets	527,818	850,835	381,594
Total current assets	225,302	308,112	411,317
Total current liabilities	106,279	89,149	89,282
Net current assets	119,023	218,963	322,035
Total assets less current liabilities	646,841	1,069,798	703,629
Total non-current liabilities	47,292	174,531	45,931
Net assets	599,549	895,267	657,698
Total equity	599,549	895,267	657,698

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the WYT Group together with the accompanying notes contained on pages 24 to 97 of the annual report of the Company for the year ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

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

CONSOLIDATED BALANCE SHEET

At 31 March 2009

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

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

Notes:

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

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2009

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2009

1. GENERAL

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

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

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

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]

HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[8]

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

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

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

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

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

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

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

8 Effective for transfers on or after 1 July 2009

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

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

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

Revenue recognition

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

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

Processing fee income is recognised when services are provided.

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

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

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

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Borrowing costs

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

Employee benefits

(i) ***Retirement benefit costs***

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

(ii) ***Share options granted to employees***

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

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

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditure

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

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

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

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

Intangible assets acquired in a business combination

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

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

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible loan note

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan note reserve).

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

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

Estimated impairment of goodwill

In determining whether goodwill is impaired, the Group requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an additional impairment loss may arise. As at 31 March 2009, the carrying amount of goodwill is approximately HK$15,335,000 (2008: HK$25,271,000). Details of the recoverable amount calculation are disclosed in note 17. A recognition of impairment losses of goodwill totalling HK$10,382,000 (2008: HK$180,859,000) was made during the year ended 31 March 2009.

Fair value of derivatives and other financial instruments

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

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

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

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

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

b. Financial risk management objectives and policies

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

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

Market risk

(i) *Currency risk*

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

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

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

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

Sensitivity analysis

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

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

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

(ii) *Interest rate risk*

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

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

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

Sensitivity analysis

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

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

(iii) *Equity security price risk*

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

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

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

Sensitivity analysis

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

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

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

Liquidity risk

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

Liquidity and interest risk tables

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

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group has concentration of credit risk in the amounts due from associates of approximately HK$3,385,000 (2008: HK$5,280,000). In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

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

c. **Fair value**

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

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

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

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

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

7. REVENUE

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

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

Consolidated Income Statement

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

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

Consolidated Balance Sheet

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

Consolidated Balance Sheet

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

Geographical segments

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

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

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

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

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

9. OTHER INCOME

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

10. FINANCE COSTS

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

11. (LOSS) PROFIT BEFORE TAXATION

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

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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

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

(b) **Employees' emoluments**

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

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

Their emoluments are within the following bands:

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

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

13. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

Details of deferred taxation are set out in note 37.

14. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to the equity holders of the Company for the purpose of basic (loss) earnings per share	(345,906)	83,767
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,966,296,367	1,607,503,426

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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	20-33⅓%
Plant and machinery	10%-20%
Furniture and equipment	20-33⅓%
Motor vehicles	20%
Computer system	20-33⅓%

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

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

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

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

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

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

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

Analysed for reporting purposes as:

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

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

17. GOODWILL

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

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

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

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

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

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

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

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

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

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

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

18. INTERESTS IN ASSOCIATES

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

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

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

Note: During the year ended 31 March 2008, the Group had further acquired 32% of equity interest in China Field Enterprises Limited ("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.

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

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

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

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

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

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

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

19. OTHER INTANGIBLE ASSETS

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

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

Customer relationship	5 years
Trademark	5 to 10 years

20. INVESTMENTS IN UNLISTED NOTES

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. PREPAYMENT FOR ACQUISITION OF INTEREST IN AN ASSOCIATE

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

22. INVENTORIES

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

23. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

Movement in the allowance for doubtful debts

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

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

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

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

24. AMOUNTS DUE FROM ASSOCIATES

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

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

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

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

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

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

25. INVESTMENTS HELD-FOR-TRADING

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

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

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

26. PLEDGED BANK DEPOSITS

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

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

27. BANK BALANCES AND CASH

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

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

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

28. TRADE AND OTHER PAYABLES

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

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

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

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

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

29. OBLIGATIONS UNDER FINANCE LEASES

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

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 31 March 2009, the effective borrowing rate is 7.1% (2008: 4.9% to 7.1%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

30. BANK BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Secured	62,460	46,547
Unsecured	924	1,786
	63,384	48,333

The above bank borrowings are repayable as follows:

	2009	2008
On demand or within one year	16,202	12,948
More than one year, but not exceeding two years	10,682	9,335
More than two years, but not exceeding five years	25,800	11,750
More than five years	10,700	14,300
	63,384	48,333
Less: Amount due within one year shown under current liabilities	(16,202)	(12,948)
Amount due after one year	47,182	35,385

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

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

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

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

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

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

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

Δ New bank loans obtained during the year.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2009	**2008**
	HK$'000	*HK$'000*
Equity accumulators	—	832

Major term of the equity accumulators are as follows:

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

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

The inputs into the model are as follows:

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

32. DEFERRED FRANCHISE INCOME

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

33. CONVERTIBLE LOAN STOCK

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

As at 31 March 2008, the CL Stock has a nominal value of £590 divided into 590 stock units. Holders of the CL Stock are entitled to convert their units bi-annually at any time within 30 calendar days after the despatch of the interim report or final report of the Company up to and including 29 September 2008.

The CL Stock carried interest at the rate of 9.53% per annum, payable every half year on 31 March and 30 September of each year and are redeemable at par on 30 September 2008 or, if later, the date falling 30 days after the final conversion date in respect of year 2008.

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

34. LOAN FROM A SHAREHOLDER

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

The effective interest rate during the year was 5%.

35. ADVANCES FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

36. CONVERTIBLE LOAN NOTE

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

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

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

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

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

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

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

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

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

37. DEFERRED TAXATION

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

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

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

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

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

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

38. SHARE CAPITAL

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

Notes:

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

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

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

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

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

39. SHARE OPTION SCHEME

2004 Scheme

On 18 September 2003, the Company adopted a share option scheme (the "2004 Scheme") for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company and its subsidiaries. Pursuant to the 2004 Scheme, which will expire on 18 September 2013, the board of directors of the Company may grant options to directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

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

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

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

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

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

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

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

Details of specific categories of share options are as follows:

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

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

The options granted under the 2004 Scheme vest as follows:

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

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

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

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

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

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

40. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41. DISPOSAL OF A SUBSIDIARY

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

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

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

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

42. RETIREMENT BENEFIT PLANS

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

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

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

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

43. PLEDGE OF ASSETS

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

44. CAPITAL COMMITMENTS

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

45. OPERATING LEASES

The Group as lessee:

The Group made minimum lease payments of approximately HK$60,114,000 (2008: HK$49,904,000) under operating leases during the year in respect of its office properties and retail shops.

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

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

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

The Group as lessor:

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

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

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

46. POST BALANCE SHEET EVENT

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

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

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

47. RELATED PARTY DISCLOSURES

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

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

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

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

(iii) Compensation of key management personnel

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

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

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

Details of the balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and notes 24, 34 and 35.

48. LOSS OF THE COMPANY FOR THE YEAR

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

49. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Paid up issued/ registered ordinary share capital	Proportion of issued share/registered capital held by the Company				Principal activity
			Directly		Indirectly		
			2009	2008	2009	2008	
Asia Brighter Investment Limited	Hong Kong	HK$1 Ordinary share	—	—	100%	100%	Property investment
Billion Good Investment Limited	Hong Kong	HK$2 Ordinary share	—	—	99.79%	99.79%	Property holding
Bright Leading Limited	Hong Kong	HK$2 Ordinary share	—	—	100%	100%	Investment holding
CNT Health Food Pte Limited	Singapore	Singapore $1,694,737 Ordinary share	—	—	95%	100%	Production and sales of Chinese health food
China Field	Hong Kong	HK$25,000 Ordinary share	—	—	81%	81%	Investment holding
Richest Ever Limited	Hong Kong	HK$2 Ordinary share	—	—	99.79%	99.79%	Trading of Chinese pharmaceutical products
Hunan Xiangya#	PRC	RMB29,225,000 Registered capital	—	—	52%	52%	Production and sale of Western pharmaceutical products
Luxembourg Medicine Company Limited	Hong Kong	HK$434,747 Ordinary share	—	—	99.79%	99.79%	Production and sale of Western pharmaceutical and health food products
Source Millennium Limited	British Virgin Islands	USD1 Ordinary share	—	—	100%	100%	Investment holding
Total Smart Investments Limited	British Virgin Islands	USD1 Ordinary share	100%	100%	—	—	Investment holding
Wai Yuen Tong (Retail) Limited	Hong Kong	HK$2 Ordinary share	—	—	99.79%	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited ("WYT Medicine Company")	Hong Kong	HK$217,374 Ordinary share HK$17,373,750 non-voting deferred *	—	—	99.79%	99.79%	Production and sale of Chinese pharmaceutical and health food products

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

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

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

50. PARTICULARS OF ASSOCIATES

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

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

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

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

1. FINANCIAL SUMMARY OF THE LEROI GROUP

The following is a summary of the audited financial information of the LeRoi Group for each of the three financial years ended 31 March 2009 as extracted from the relevant annual reports of LeRoi, for which the auditors of LeRoi expressed unqualified opinion.

Results

	For the year ended 31 March		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Continuing operations			
Turnover	61,822	44,734	990
Gross profit	23,082	15,025	360
Loss before taxation	(186,183)	(56,865)	(4,913)
Loss for the year from continuing operations	(185,953)	(56,835)	(4,919)
Discontinued operations			
Loss for the year from discontinued operations	(20,088)	(2,318)	(39,656)
Loss for the year attributable to equity holders of the Company	(206,041)	(59,153)	(44,575)
Loss per share from continuing and discontinued operations			
— Basic and diluted	(HK2.68 cents)	(HK1.41 cents)	(HK5.41 cents)
Loss per share from continuing operations			
— Basic and diluted	(HK2.42 cents)	(HK1.36 cents)	(HK0.61 cents)

Assets and liabilities

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Total non-current assets	603,997	440,246	23,517
Total current assets	107,558	428,792	56,665
Net current assets	98,371	418,616	18,365
Total assets less current liabilities	702,368	858,862	41,882
Net assets	486,835	686,606	2,167
Equity attributable to equity holders of LeRoi	486,835	686,606	2,167

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the LeRoi Group together with accompanying notes contained on pages 26 to 127 of the annual report of LeRoi for the year ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000* *(Restated)*
Continuing operations			
Turnover	6	61,822	44,734
Cost of sales		(38,740)	(29,709)
Gross profit		23,082	15,025
Other revenue	6	4,587	12,128
Other income	7	896	190
Selling and distribution expenses		(16,976)	(12,775)
Administrative expenses		(33,774)	(22,766)
Impairment of prepaid lease payments		(95,517)	(29,617)
Impairment of goodwill	20	(1,893)	(3,558)
Impairment of property, plant and equipment		—	(40)
Impairment loss on other receivables		—	(777)
Impairment of interest in an associate	21	(44,183)	—
Loss on deemed disposal of interest in an associate	21	(9,127)	—
Fair value changes on financial assets at fair value through profit or loss		(19,821)	(2,534)
Fair value changes on derivative financial instruments		477	(4,034)
Loss on early redemption of a shareholder's loan		—	(1,041)
Finance costs	8	(10,493)	(7,066)
Share of profit of an associate	21	16,559	—
Loss before taxation		(186,183)	(56,865)
Taxation	12	230	30
Loss for the year from continuing operations		(185,953)	(56,835)
Discontinued operations			
Loss for the year from discontinued operations	9	(20,088)	(2,318)
Loss for the year attributable to equity holders of the Company	7	(206,041)	(59,153)

	Notes	**2009** *HK$'000*	**2008** *HK$'000* *(Restated)*
Loss per share from continuing and discontinued operations			
— Basic and diluted	15	(HK2.68 cents)	(HK1.41 cents)
Loss per share from continuing operations			
— Basic and diluted	15	(HK2.42 cents)	(HK1.36 cents)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 March 2009

	Notes	**2009**	**2008**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	16	2,125	1,801
Property under development	17	20,295	2,528
Prepaid lease payments	18	451,228	362,236
Investment properties	19	—	70,250
Goodwill	20	—	1,500
Interest in an associate	21	126,239	—
Financial assets at fair value through profit or loss	26	4,110	1,931
		603,997	440,246
Current assets			
Inventories	24	69	81
Trade receivables	25	15	35
Prepayments, deposits and other receivables		9,506	11,623
Derivative financial instruments	30	2,568	3,434
Financial assets at fair value through profit or loss	26	16,651	23,465
Time deposits		14,845	364,276
Cash and bank balances	27	63,904	25,878
		107,558	428,792
Less: Current liabilities			
Trade payables	28	316	231
Accruals and other payables		7,563	7,374
Amounts due to related companies	29	1,110	1,218
Derivative financial instruments	30	—	1,343
Tax payable		198	10
		9,187	10,176
Net current assets		98,371	418,616
Total assets less current liabilities		702,368	858,862

	Notes	2009	2008
		HK$'000	HK$'000
Less: Non-current liabilities			
Interest-bearing loan from a related company	31	40,000	—
Convertible notes	32	172,674	168,355
Deferred taxation	33	2,859	3,901
		215,533	172,256
Net assets		486,835	686,606
Capital and reserves			
Share capital	34	76,915	76,915
Reserves	36(a)	409,920	609,691
Equity attributable to equity holders of the Company		486,835	686,606

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
at 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Non-current assets			
Interests in subsidiaries	23	—	—
Financial assets at fair value through profit or loss	26	4,110	1,931
		4,110	1,931
Current assets			
Prepayments, deposits and other receivables		522	677
Derivative financial instruments	30	2,568	3,434
Amounts due from subsidiaries	23	912,030	575,626
Time deposits		1,327	357,114
Cash and bank balances		48,807	14,622
		965,254	951,473
Less: Current liabilities			
Accruals and other payables		3,359	3,800
Amount due to a subsidiary	23	23,302	30,050
Amounts due to related companies	29	—	960
		26,661	34,810
Net current assets		938,593	916,663
Total assets less current liabilities		942,703	918,594

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Less: Non-current liabilities			
Interest-bearing loan from a related company	31	40,000	—
Convertible notes	32	172,674	168,355
Deferred taxation	33	2,859	3,571
		215,533	171,926
Net assets		727,170	746,668
Capital and reserves			
Share capital	34	76,915	76,915
Reserves	36(b)	650,255	669,753
Total equity		727,170	746,668

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

	Attributable to equity holders of the Company							
	Share capital	Share premium	Exchange fluctuation reserve	Convertible notes equity reserve	Accumulated losses	Capital reserve	Revaluation reserve	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	8,096	9,827	172	152	(18,046)	1,966	—	2,167
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	12,576	—	—	—	—	12,576
Release upon disposal of subsidiaries (Note 39)	—	—	(1,395)	—	—	—	—	(1,395)
Net gain recognised directly in equity	—	—	11,181	—	—	—	—	11,181
Net loss for the year	—	—	—	—	(59,153)	—	—	(59,153)
Total recognised income and expense for the year	—	—	11,181	—	(59,153)	—	—	(47,972)
Issue of shares	68,319	641,585	—	—	—	—	—	709,904
Share issue expenses	—	(13,789)	—	—	—	—	—	(13,789)
Conversion of convertible notes into shares	500	9,523	—	(507)	—	—	—	9,516
Equity component of convertible notes (Note 32)	—	—	—	30,482	—	—	—	30,482
Deferred tax arising on issue of convertible notes	—	—	—	(3,905)	—	—	—	(3,905)
Cash received in excess of fair value of interest-bearing loans from shareholders	—	—	—	—	—	203	—	203
Release upon set off of interest-bearing loan from shareholder	—	—	—	—	951	(951)	—	—
Release upon repayment of interest-bearing loans from shareholders	—	—	—	—	1,218	(1,218)	—	—
At 31 March 2008 and 1 April 2008	76,915	647,146	11,353	26,222	(75,030)	—	—	686,606

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Exchange fluctuation reserve**	**Convertible notes equity reserve**	**Accumulated losses**	**Capital reserve**	**Revaluation reserve**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2008 and 1 April 2008	76,915	647,146	11,353	26,222	(75,030)	—	—	686,606
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	6,270	—	—	—	—	6,270
Gain on fair value changes on prepaid lease payment upon acquisition of subsidaries	—	—	—	—	—	—	4,651	4,651
Release upon impairment of prepaid lease payment	—	—	—	—	—	—	(4,651)	(4,651)
Net gain recognised directly in equity	—	—	6,270	—	—	—	—	6,270
Net loss for the year	—	—	—	—	(206,041)	—	—	(206,041)
Total recognised income and expense for the year	—	—	6,270	—	(206,041)	—	—	(199,771)
At 31 March 2009	76,915	647,146	17,623	26,222	(281,071)	—	—	486,835

	Attributable to equity holders of the Company						
	Share premium	**Exchange fluctuation reserve**	**Convertible notes equity reserve**	**Accumulated losses**	**Capital reserve**	**Revaluation reserve**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reserves retained by:							
Company and subsidiaries	647,146	17,623	26,222	(295,813)	—	—	395,178
Associate	—	—	—	14,742	—	—	14,742
At 31 March 2009	647,146	17,623	26,222	(281,071)	—	—	409,920
Company and subsidiaries	647,146	11,353	26,222	(73,213)	—	—	611,508
Associate	—	—	—	(1,817)	—	—	(1,817)
At 31 March 2008	647,146	11,353	26,222	(75,030)	—	—	609,691

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2009

	Notes	**2009**	**2008**
		HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(206,601)	(58,853)
Adjustments for:			
Depreciation		726	760
Loss/(gain) on disposal of subsidiaries	39	2,064	(19,950)
(Gain)/loss on disposal of property, plant and equipment		(83)	563
Share of profit of an associate		(16,559)	(68)
Interest income	6	(3,689)	(11,739)
Fair value changes on investment properties	19	23,044	(1,886)
Loss on deemed disposal of interest in an associate		9,127	—
Finance costs	8	11,322	7,109
Fair value changes on derivative financial instruments		(477)	4,034
Fair value changes on financial assets at fair value through profit or loss		19,821	2,534
Loss on early redemption of a shareholder's loan		—	1,041
Reversal of impairment loss on trade receivables		—	(116)
Reversal of impairment loss on other receivables		(813)	—
Impairment loss on trade receivables		—	1,130
Impairment loss on other receivables		—	847
Impairment of prepaid lease payments		95,517	29,617
Impairment of interest in an associate		44,183	—
Provision for obsolete inventories		—	14,213
Impairment of property, plant and equipment		—	40
Impairment of goodwill		1,893	3,558
Operating loss before working capital changes		(20,525)	(27,166)

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Operating loss before working capital changes		(20,525)	(27,166)
Decrease/(increase) in inventories		12	(5,539)
Decrease in trade receivables		20	1,107
Decrease/(increase) in prepayments, deposits and other receivables		1,681	(4,156)
Increase in trade payables		85	3,298
Increase in accruals and other payables		189	5,305
(Decrease)/increase in amounts due to related companies		(108)	1,218
Cash used in operations		(18,646)	(25,933)
Interest paid		(6,174)	(5,953)
Hong Kong profits tax paid		(294)	(495)
Net cash used in operating activities		(25,114)	(32,381)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,689	11,739
Purchase of property, plant and equipment		(1,134)	(2,607)
Property under development paid		(9,292)	(609)
Purchase of prepaid lease payments		(1,480)	(323,322)
Purchase of investment properties		(51,560)	(56,644)
Acquisition of subsidiaries	37	(186,746)	(239,821)
Acquisition of an associate		(162,990)	—
Acquisition of a shareholder's loan		—	177,248
Acquisition of jointly controlled entities		—	(12,341)
Disposal of subsidiaries	39	61,832	(7,723)
Purchase of financial assets at fair value through profit or loss		(49,322)	(38,985)
Proceeds from disposal of property, plant and equipment		331	15
Proceeds from disposal of financial assets at fair value through profit or loss		34,136	11,055
Repayment of loan to an associate		—	(8)
Net cash used in investing activities		(362,536)	(482,003)

	2009	2008
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital element of finance lease rental payments	—	(494)
Proceeds from issue of convertible notes	—	197,000
Interest-bearing loan from a related company	40,000	—
Interest-bearing loans from banks	36,450	—
Interest-bearing loan from a shareholder	10,000	4,000
Repayment of interest-bearing loan from a shareholder	(10,000)	(24,000)
Repayment of interest-bearing loans from banks	(3,059)	—
Proceeds from issue of shares	—	709,904
Share issue expenses	—	(13,789)
Net cash generated from financing activities	73,391	872,621
Net (decrease)/increase in cash and cash equivalents	(314,259)	358,237
Cash and cash equivalents at the beginning of the year	390,154	21,499
Effects of exchange rate changes on the balance of cash held in foreign currencies	2,854	10,418
Cash and cash equivalents at the end of the year	78,749	390,154
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	63,904	25,878
Time deposits	14,845	364,276
	78,749	390,154

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
31 March 2009

1. COPORATE INFORMATION

LeRoi Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company in Hong Kong is located at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the sale of fresh pork meat and related produce, and the property investment and development. During the year, the property investment business segment was disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognisd in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 to the financial statements.

Application of new and revised HKFRSs

In the current year, the Group has applied for the first time, the following new amendments and interpretations ("**new HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2008.

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

The application 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.

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Asscoiate[2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Canellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]

HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[7]

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

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

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

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

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

6 Effective for annual periods beginning on or after 30 June 2009

7 Effective for transfers of assets from customers received on or after 1 July 2009

8 Effective for annual periods beginning on or after 1 January 2009 (except for the amendments to HKAS 38, HKFRS 2, HK(IFRIC) — Int 19 and HK(IFRIC) — Int 16, which are effective for annual periods beginning on or after 1 July 2009

The application of HKFRS 3 (Revised) 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 for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

A summary of significant accounting policies adopted by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for financial assets at fair value through profit or loss (including derivative financial instruments) and investment properties which have been carried at fair value as explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of 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 subsidiaries 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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 the 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.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group recognises its interests in jointly-controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly-controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

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.

When a group entity transacts with a jointly-controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Goodwill

Goodwill arising on an acquisition of a business or a jointly-controlled entity (which is accounted for using proportionate consolidation) 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 or jointly-controlled entity at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisition of a business or a jointly-controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from 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 or a jointly-controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest held under an operating lease which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated to fair value, which reflects market conditions at the balance sheet date.

Gain or loss arising from changes in fair values of investment properties are included in the income statement in the year in which they arise.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	20-33⅓%
Leasehold improvements	Over the lease terms
Motor vehicles	20-33⅓%
Machineries	20-33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net proceeds and the carrying amount of the relevant assets.

Properties under development

When the leasehold land and buildings are in the course of development for production, rental, for administrative purposes or for sale, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of properties under development. Properties under development are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of relevant interest in leasehold land or the operation period of the relevant company.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss 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.

A financial asset other than a financial asset held for trading may be designed as at fair value through profit or loss 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 fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes 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 are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effectively in offsetting changes in fair values or cash flows of the hedged items.

(i) ***Fair value hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The adjustment to the carrying amount of the hedged item for which the effective interest is used is amortised to the income statement as soon as an adjustment exists. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

(ii) ***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of asset or liability.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

(iii) ***Derivatives that do not qualify for hedge accounting and those not designated as hedges***

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two categories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

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.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

- the financial liability 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 fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes any interest paid on the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, amounts due to related companies and interest-bearing loans from a related company are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity.

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

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs those have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Income tax

Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is provided when it is probable that economic benefits will flow to the Group and the when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- Rental income, on a time proportion basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. No accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward as the amount is immaterial.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share options scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting periods, taking into account the probability that the options will vest.

During the vesting periods, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to achieving conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

Related parties transactions

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financial expenses.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax

The Group is subject to income taxes in Hong Kong and mainland China. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for trade receivable are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provision are not made could affect the results of operations.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at each balance sheet date.

For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amounts of these derivatives financial assets and liabilities are approximately HK$2,568,000 (2008: HK$3,434,000) and nil (2008: HK$1,343,000) respectively.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value in use calculations. Theses calculations require the use of estimates (Note 20).

The carrying amount of goodwill at the balance sheet date was Nil (2008: HK$1,500,000) after an impairment of approximately HK$1,893,000 (2008: HK$3,558,000) was recognised during the year.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets:		
Fair value through profit or loss		
— Held for trading	16,651	23,465
— Designated as at fair value through profit or loss	4,110	1,931
Derivative financial instruments	2,568	3,434
Loans and receivables (including cash and cash equivalent)	80,824	390,898
Financial liabilities:		
Amortised cost	221,663	177,178
Derivative financial instruments	—	1,343

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

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

Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable-rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Foreign exchange risk management

Several subsidiaries of the Group have foreign currency transactions, which expose the Group to foreign currency risk. The Group's transactions are denominated primarily in Hong Kong dollars and Renminbi ("RMB"), which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

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

	2009	**2008**
	HK$'000	*HK$'000*
Assets:		
RMB	1,842	3,163
AUD	—	3,303
NZD	3	2,581

	2009	**2008**
	HK$'000	*HK$'000*
Liabilities:		
RMB	84	50

Sensitivity analysis on foreign exchange risk management

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars 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 outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	2009	**2008**
	HK$'000	*HK$'000*
Impact of RMB		
Profit or loss#	(88)	(156)
Impact of AUD		
Profit or loss*	—	(165)
Impact of NZD		
Profit or loss*	—	(129)

This is mainly attributable to the bank balances and payables denominated in RMB.

* This is mainly attributable to the bank balances denominated in AUD and NZD.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the decrease in foreign currency denominated monetary assets and liabilities.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in the provision of diagnostic testing and healthcare services, and installation service of LED screen and façade lighting quoted in The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Sensitivity analysis on other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 31 March 2009 would increase/decrease by approximately HK$688,000 (2008: HK$1,173,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices decreased due to the decrease in financial assets at fair value through profit or loss during the current year.

Credit risk

As at 31 March 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow and interest-bearing loan from a related company during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and certain non-derivative financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

At 31 March 2009

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	—	(7,879)	—	—	(7,879)	(7,879)
Amounts due to related companies	—	(1,110)	—	—	(1,110)	(1,110)
Interest-bearing loan from a related company	6.00	—	(40,000)	—	(40,000)	(40,000)
Convertible notes	5.92	—	(190,000)	—	(190,000)	(172,674)
		(8,989)	(230,000)	—	(238,989)	(221,663)

At 31 March 2008

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	—	(7,605)	—	—	(7,605)	(7,605)
Amounts due to related companies	—	(1,218)	—	—	(1,218)	(1,218)
Convertible notes	5.92	—	(190,000)	—	(190,000)	(168,355)
		(8,823)	(190,000)	—	(198,823)	(177,178)

Fair value of financial instruments

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, Black-Scholes model and Binomial model).

Except as detailed in the following table, the directors consider that the carrying amounts of financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2009		**2008**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible notes	172,674	130,376	168,355	178,629

(c) **Capital risk management**

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes interest-bearing loan from a related company and convertible notes), and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and shareholders' equity. The increase in gearing ratio was due to the borrowing of loan from a related company during the year.

The gearing ratio at the year end was as follows:

	2009	2008
	HK$'000	*HK$'000*
Total debt #	212,674	168,355
Shareholders' equity	486,835	686,606
Gearing ratio	43.7%	24.5%

Total debt comprises interest-bearing loan from a related company and convertible notes as detailed in Notes 31 and 32.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented way of the Group's primary segment reporting basis, by business segment. For the years ended 31 March 2009 and 2008, the Group was primarily engaged in several business segments: (i) sales of fresh pork meat and related produce; (ii) property investment; (iii) property development; and (iv) trading of fashion apparels.

The property investment business segment was disposed of during the year ended 31 March 2009, while the trading of fashion apparels business segment was disposed of during the year ended 31 March 2008.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, time deposits, and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as corporate borrowings.

Business segments

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

During the year ended 31 March 2009, the Group disposed of its property investment business.

During the year ended 31 March 2008, the Group disposed of its trading of fashion apparels business.

2009

	Continuing operations			Discontinued operations	
	Sales of fresh pork meat and related produce	**Property development**	**Total**	**Property investment**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
External revenue	61,822	—	61,822	7,613	69,435
Segment results excluding impairment of goodwill	2,810	(97,364)	(94,554)	(19,589)	(114,143)
Impairment of goodwill	(1,500)	(393)	(1,893)	—	(1,893)
Segment results	1,310	(97,757)	(96,447)	(19,589)	(116,036)
Interest income and unallocated gains			6,258	—	6,258
Corporate and other unallocated expenses			(48,750)	—	(48,750)
Finance costs			(10,493)	(829)	(11,322)
Impairment of interest in an associate			(44,183)	—	(44,183)
Loss on deemed disposal of interest in an associate			(9,127)	—	(9,127)
Share of profit of an associate			16,559	—	16,559
Loss before taxation			(186,183)	(20,418)	(206,601)
Taxation			230	330	560
Loss for the year			(185,953)	(20,088)	(206,041)

	Continuing operations		Discontinued operations	
	Sales of fresh pork meat and related produce	Property development	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Segment assets	6,180	500,025	—	506,205
Unallocated				205,350
Consolidated total assets				711,555
Segment liabilities	2,157	1,158	—	3,315
Unallocated				221,405
Consolidated total liabilities				224,720

	Continuing operations			Discontinued operations		
	Sales of fresh pork meat and related produce	Property development	Total	Property investment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Depreciation	337	317	654	59	13	726
Capital expenditure	794	11,112	11,906	51,560	—	63,466
Impairment loss recognised in the consolidated income statement						
— goodwill	1,500	393	1,893	—	—	1,893
— prepaid lease payments	—	95,517	95,517	—	—	95,517
— interest in an associate	—	—	—	—	44,183	44,183

2008

	Continuing operations			Discontinued operations			
	Sales of fresh pork meat and related produce	**Property development**	**Total**	**Trading of fashion apparel**	**Property investment**	**Total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
External revenue	44,734	—	44,734	37,761	1,692	39,453	84,187
Segment results excluding impairment of goodwill	1,629	(31,888)	(30,259)	(23,778)	1,847	(21,931)	(52,190)
Impairment of goodwill	(3,552)	(6)	(3,558)	—	—	—	(3,558)
Segment results	(1,923)	(31,894)	(33,817)	(23,778)	1,847	(21,931)	(55,748)
Interest income and unallocated gains			12,047			20,046	32,093
Corporate and other unallocated expenses			(28,029)			(128)	(28,157)
Finance costs			(7,066)			(43)	(7,109)
Share of profit of an associate			—			68	68
Loss before taxation			(56,865)			(1,988)	(58,853)
Taxation			30			(330)	(300)
Loss for the year			(56,835)			(2,318)	(59,153)

	Continuing operations		Discontinued operations		
	Sales of fresh pork meat and related produce	Property development	Trading of fashion apparels	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Segment assets	6,786	374,505	—	73,858	455,149
Unallocated					413,889
Consolidated total assets					869,038
Segment liabilities	1,104	312	—	1,323	2,739
Unallocated					179,693
Consolidated total liabilities					182,432

	Continuing operations			Discontinued operations				
	Sales of fresh pork meat and related produce	Property development	Total	Trading of fashion apparels	Property investment	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information								
Depreciation	201	11	212	418	15	433	115	760
Capital expenditure	487	400,184	400,671	1,183	56,943	58,126	880	459,677
Loss on disposal of property, plant and equipment	563	—	563	—	—	—	—	563
Impairment loss recognised in the consolidated income statement								
- property, plant and equipment	40	—	40	—	—	—	—	40
- goodwill	3,552	6	3,558	—	—	—	—	3,558
- prepaid lease payments	—	29,617	29,617	—	—	—	—	29,617
- trade receivables	—	—	—	1,130	—	1,130	—	1,130
- other receivables	—	777	777	70	—	70	—	847
Provision for obsolete inventories	—	—	—	14,213	—	14,213	—	14,213

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the years ended 31 March 2009 and 2008, all of the Group's revenue and assets were derived from customers and operations based in The People's Republic of China ("PRC") including mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

6. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of fashion apparels, fresh pork meat and related produce sold, after allowances for returns and trade discounts, and rental income. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue for the year, for both continuing and discontinued operations, is as follows:

Turnover:

	2009	**2008**
	HK$'000	*HK$'000*
Continuing operations		
Sale of fresh pork meat and related produce	61,822	44,734
Discontinued operations		
Rental income	7,613	1,692
Sale of fashion apparels	—	37,761
	7,613	39,453
	69,435	84,187

Other revenue:

	Continuing operations		Discontinued operations		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest income on:						
Bank deposits	3,275	11,663	1	76	3,276	11,739
Financial assets at fair value through profit or loss	413	—	—	—	413	—
	3,688	11,663	1	76	3,689	11,739
Dividends from equity securities	370	48	—	—	370	48
Sundry income	529	417	575	402	1,104	819
	4,587	12,128	576	478	5,163	12,606

7. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating loss is stated after charging:						
Cost of inventories sold	35,870	27,280	—	29,061	35,870	56,341
Depreciation of owned property, plant and equipment	667	327	59	76	726	403
Depreciation of property, plant and equipment held under finance lease	—	—	—	357	—	357
Impairment loss on trade receivables	—	—	—	1,130	—	1,130
Provision for obsolete inventories	—	—	—	14,213	—	14,213
Impairment loss on other receivables	—	777	—	70	—	847
Auditors' remuneration	900	650	—	—	900	650
Exchange losses	1,150	—	—	—	1,150	—
Minimum lease payments under operating lease for land and buildings	910	4,176	—	746	910	4,922
Loss on disposal of property, plant and equipment	—	563	—	—	—	563
Impairment of property, plant and equipment	—	40	—	—	—	40
Impairment of interest in an associate	44,183	—	—	—	44,183	—
Impairment of goodwill	1,893	3,558	—	—	1,893	3,558
Impairment of prepaid lease payments	95,517	29,617	—	—	95,517	29,617

	Continuing operations		Discontinued operations		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and other short-term employee benefits (excluding directors' remuneration - Note 10)	22,097	12,296	1,148	4,225	23,245	16,521
Retirement benefits scheme contributions	638	427	41	76	679	503
	22,735	12,723	1,189	4,301	23,924	17,024
and after crediting:						
Other income:						
Exchange gain	—	190	—	—	—	190
Gain on disposal of property, plant and equipment	83	—	—	—	83	—
Reversal of impairment loss on trade receivables	—	—	—	116	—	116
Reversal of impairment loss on other receivables (Note)	813	—	—	—	813	—
	896	190	—	116	896	306

Note:

The reversal of impairment loss on other receivable was recognised due to the recovery of amount during the year.

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest element of finance lease rental payments	—	—	—	43	—	43
Effective interest on convertible notes wholly repayable within five years	10,019	4,888	—	—	10,019	4,888
Interest on interest-bearing loans from shareholders wholly repayable within five years	66	2,178	—	—	66	2,178
Interest on interest-bearing bank loans not wholly repayable within five years	—	—	829	—	829	—
Interest on interest-bearing loan from a related company wholly repayable within five years	408	—	—	—	408	—
	10,493	7,066	829	43	11,322	7,109

9. DISCONTINUED OPERATIONS

Disposal of property investment business

On 13 February 2009, the Group entered into a sale and purchases agreement to dispose of the Group's property investment business. The disposal of the property investment business is consistent with the Group's long-term policy to focus its activities on the sales of fresh pork meat and related produce and property development businesses. The disposal was completed on 25 March 2009, after which the control of the property investment business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 39.

Disposal of trading of fashion apparels business

On 25 January 2008, the Group entered into a sale agreement to dispose of the Group's trading of fashion apparels business. The disposal of the trading of fashion apparels business is consistent with the Group's long-term policy to focus its activities on the sales of fresh pork meat and related produce and property development businesses. The disposal was completed on 27 March 2008, after which the control of the trading of fashion apparels business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 39.

Loss for the year from discontinued operations

	2009	2008		
	Property investment	Property investment	Trading of fashion apparels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	7,613	1,692	37,761	39,453
Expenses	(2,923)	(1,763)	(61,582)	(63,345)
Fair value changes on investment properties	(23,044)	1,886	—	1,886
Share of profit of an associate	—	—	68	68
(Loss)/profit before taxation	(18,354)	1,815	(23,753)	(21,938)
Taxation	330	(330)	—	(330)
	(18,024)	1,485	(23,753)	(22,268)
(Loss)/gain on disposal of operations (Note 39)	(2,064)	—	19,950	19,950
	(20,088)	1,485	(3,803)	(2,318)

	2009	2008		
	Property investment	Property investment	Trading of fashion apparels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from discontinued operations				
Net cash flows from operating activities	18,396	58,207	2,061	60,268
Net cash flows from investing activities	(51,560)	(56,942)	(7)	(56,949)
Net cash flows from financing activities	33,391	—	(494)	(494)
Net cash flows	227	1,265	1,560	2,825

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

The remuneration of every director for the year ended 31 March 2009 is set out below:

Name of director	Salaries and other benefits	Director's fee	Provident fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009:				
Executive directors				
Mr. Chan Chun Hong, Thomas	1,363	—	12	1,375
Mr. Cheung Wai Kai	128	—	6	134
Mr. Wong Yiu Hung, Gary (Note 3)	2,127	—	12	2,139
Mr. Ng Cheuk Fan, Keith (Note 1)	—	—	—	—
Mr. Hung Man Sing (Note 2)	—	—	—	—
Independent non-executive directors				
Mr. Sin Ka Man	—	130	—	130
Mr. Yuen Kam Ho, George	—	130	—	130
Mr. Cheung Sau Wah, Joseph	—	130	—	130
	3,618	390	30	4,038

The remuneration of every director for the year ended 31 March 2008 is set out below:

Name of director	Salaries and other benefits	Director's fee	Provident fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008:				
Executive directors				
Mr. Ng Cheuk Fan, Keith (Note 1)	750	—	12	762
Mr. Hung Man Sing (Note 2)	643	—	12	655
Mr. Chan Chun Hong, Thomas	927	—	12	939
Mr. Cheung Wai Kai	130	—	6	136
Mr. Wong Yiu Hung, Gary (Note 3)	190	—	2	192
Independent non-executive directors				
Mr. Sin Ka Man	—	120	—	120
Mr. Yuen Kam Ho, George	—	120	—	120
Mr. Cheung Sau Wah, Joseph	—	120	—	120
	2,640	360	44	3,044

Notes:

1. Mr. Ng Cheuk Fan, Keith resigned on 2 June 2008.

2. Mr. Hung Man Sing resigned on 2 June 2008.

3. Mr. Wong Yiu Hung, Gary was appointed on 13 February 2008.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2009	**2008**
Nil to HK$1,000,000	6	8
HK$1,000,001 to HK$1,500,000	1	—
HK$2,000,001 to HK$2,500,000	1	—
	8	8

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil). None of the directors has waived any emoluments during the year (2008: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid individuals included three (2008: three) executive directors of the Company, whose emoluments are included in Note 10 above. The aggregate emoluments of the remaining two (2008: two) highest paid individuals are as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Basic salaries and allowances	3,649	2,039
Retirement benefits scheme contributions	18	5
	3,667	2,044

The emoluments fell within the following bands:

	2009	**2008**
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	—
	2	2

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil).

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for mainland China income taxes has been made during the year as the subsidiaries operated in mainland China had no assessable profits for the year.

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group:						
Current taxation:						
- Hong Kong	474	304	—	—	474	304
- Under provision in prior year	8	—	—	—	8	—
	482	304	—	—	482	304
Deferred tax (Note 33):						
- Convertible notes	(712)	(334)	—	—	(712)	(334)
- Revaluation of properties	—	—	(330)	330	(330)	330
	(712)	(334)	(330)	330	(1,042)	(4)
Total tax (credit)/charge for the year	(230)	(30)	(330)	330	(560)	300

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

The Group — 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before taxation:						
Continuing operations	(89,541)		(96,642)		(186,183)	
Discontinued operations	(20,418)		—		(20,418)	
	(109,959)		(96,642)		(206,601)	
Tax at the applicable income tax rate	(18,143)	*(16.5%)	(24,161)	**(25.0%)	(42,304)	(20.5%)
Tax effect of income and expenses not taxable or deductible for tax purposes	11,236	10.2%	24,161	25.0%	35,397	17.1%
Tax effect of unrecognised temporary differences	3,231	3.0%	—	—	3,231	1.6%
Tax effect of tax losses utilised	(194)	(0.2%)	—	—	(194)	(0.1%)
Under provision in respect of prior year	8	—	—	—	8	—
Tax effect of tax losses not recognised	3,302	3.0%	—	—	3,302	1.6%
Tax credit at the effect tax rate for the year	(560)	(0.5%)	—	—	(560)	(0.3%)

The Group — 2008

	Hong Kong		Macau		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Loss before taxation:								
Continuing operations	(55,947)		—		(918)		(56,865)	
Discontinued operations	16,557		(76)		(18,469)		(1,988)	
	(39,390)		(76)		(19,387)		(58,853)	
Tax at the applicable income tax rate	(6,893)	*(17.5%)	(9)	***(12.0%)	(4,847)	**(25.0%)	(11,749)	(20.0%)
Tax effect of income and expenses not taxable or deductible for tax purposes	3,133	8.0%	9	12.0%	284	1.5%	3,426	5.8%
Tax effect of unrecognised temporary differences	(266)	(0.7%)	—	—	—	—	(266)	(0.4%)
Tax effect of change in income tax rate in mainland China during the year	—	—	—	—	(1,108)	(5.7%)	(1,108)	(1.9%)
Tax effect of tax losses not recognised	4,326	11.0%	—	—	5,671	29.2%	9,997	17.0%
Tax charge at the effect tax rate for the year	300	0.8%	—	—	—	—	300	0.5%

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

** The standard mainland China Corporate Income Tax rate for the period ended 31 December 2007 was 33%. The tax rate changed to 25% with effect from 1 January 2008.

*** The standard Macau Complementary Tax rate is 12%.

13. (LOSS)/PROFIT FOR THE YEAR

The net loss for the year dealt with in the financial statements of the Company amounted to approximately HK$19,498,000 (2008: net profit of HK$12,145,000).

14. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 March 2009 (2008: Nil).

15. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

From continuing and discontinued operations

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

	2009	**2008**
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to the equity holders of the Company)	(206,041)	(59,153)

	2009	**2008**
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	7,691,500	4,188,794

Diluted loss per share from both continuing and discontinued operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from both continuing and discontinued operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to the equity holders of the Company	(206,041)	(59,153)
Less: Loss for the year from discontinued operations	(20,088)	(2,318)
Loss for the purpose of basic loss per share from continuing operations	(185,953)	(56,835)

The denominator used for basic loss per share from continuing operations is the same as those detailed above. Diluted loss per share from continuing operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from continuing operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.26 cents per share (2008: HK0.06 cents per share) based on the loss for the year from the discontinued operations of approximately HK$20,088,000 (2008: HK$2,318,000).

The denominator used for basic loss per share from discontinued operations is the same as those detailed above. Diluted loss per share from discontinued operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from discontinued operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Machineries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 April 2007	8,778	4,068	850	14	13,710
Additions	718	1,159	1,827	83	3,787
Disposals	(222)	(414)	—	(16)	(652)
Disposals of subsidiaries (Note 39)	(8,658)	(124)	(2,030)	—	(10,812)
Exchange realignment	8	—	—	—	8
At 31 March 2008 and 1 April 2008	624	4,689	647	81	6,041
Additions	415	575	113	31	1,134
Acquisition of subsidiaries (Note 37)	99	67	151	—	317
Disposals	(29)	(62)	(246)	—	(337)
Disposals of subsidiaries (Note 39)	—	(299)	—	—	(299)
Exchange realignment	29	32	11	—	72
At 31 March 2009	1,138	5,002	676	112	6,928
Accumulated depreciation and impairment:					
At 1 April 2007	8,561	4,041	850	—	13,452
Charge for the year	194	145	393	28	760
Impairment loss recognised for the year	2	—	38	—	40
Written back on disposals	(35)	(37)	—	(2)	(74)
Disposals of subsidiaries (Note 39)	(8,609)	(124)	(1,207)	—	(9,940)
Exchange realignment	2	—	—	—	2
At 31 March 2008 and 1 April 2008	115	4,025	74	26	4,240
Charge for the year	269	314	114	29	726
Written back on disposals	(10)	(5)	(74)	—	(89)
Disposals of subsidiaries (Note 39)	—	(74)	—	—	(74)
At 31 March 2009	374	4,260	114	55	4,803
Net book value:					
At 31 March 2009	764	742	562	57	2,125
At 31 March 2008	509	664	573	55	1,801

During the year ended 31 March 2008, the Group carried out a review of the recoverable amount of its furniture, fixtures and equipment and leasehold improvements. The review led to the recognition of an impairment loss of approximately HK$40,000 that has been recognised in the consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 17.01% per annum.

17. PROPERTY UNDER DEVELOPMENT

	The Group
	HK$'000
At 1 April 2007	—
Additions	2,528
At 31 March 2008 and 1 April 2008	2,528
Additions	15,491
Additions through acquisition of subsidiaries (Note 37)	987
Exchange realignment	1,289
At 31 March 2009	20,295
At 31 March 2008	2,528

Analysis of property under development:

	2009	**2008**
	HK$'000	*HK$'000*
Long-term lease of leasehold land in mainland China	20,295	2,528

18. PREPAID LEASE PAYMENTS

	The Group *HK$'000*
Cost	
At 1 April 2007	—
Additions	398,637
Exchange realignment	418
At 31 March 2008 and 1 April 2008	399,055
Additions	1,480
Addition through acquisition of subsidiaries (Note 37)	185,000
Revaluation arising from further acquisition	4,651
Exchange realignment	6,848
At 31 March 2009	597,034
Accumulated amortisation and impairment	
At 1 April 2007	—
Charge for the year	1,919
Impairment of prepaid lease payments	29,617
At 31 March 2008 and 1 April 2008	31,536
Charge for the year	6,199
Impairment of prepaid lease payments	100,168
Exchange realignment	1,231
At 31 March 2009	139,134
Net book value	
At 31 March 2009	457,900
At 31 March 2008	367,519

The prepaid lease payments comprise of leasehold land situated in mainland China held under long-term leases.

Amortisation expense on prepaid lease payments of approximately HK$6,199,000 (2008: HK$1,919,000) has been capitalised to properties under development for the year.

Impairment loss of approximately HK$100,168,000 (2008: HK$29,617,000) in respect of prepaid lease payments was recognised during the year ended 31 March 2009 by reference to the valuation report issued by Savills Valuation and Professional Services Limited, an independent qualified professional valuers at 31 March 2009 which valued the assets on market value basis.

Analysed for reporting purposes as:

	2009	**2008**
	HK$'000	*HK$'000*
Current assets (included in prepayments, deposits and other receivables)	6,672	5,283
Non-current assets	451,228	362,236
	457,900	367,519

19. INVESTMENT PROPERTIES

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Fair value:		
At the beginning of the year	70,250	11,720
Additions	51,560	56,644
Disposals of subsidiaries during the year (Note 39)	(98,766)	—
Net (decrease)/increase in fair value	(23,044)	1,886
At the end of the year	—	70,250

Investment properties were revalued at their open market values during the year ended 31 March 2009 by Messrs Vigors Appraisal and Consulting Limited (2008: by Messrs Savills Valuation and Professional Services Limited), independent qualified professional valuers not connected with the Group, on an open market value, existing use basis. This valuation gave rise to a loss arising from change in fair value of approximately HK$23,044,000 at 31 March 2009 (2008: gain of approximately HK$1,886,000), which has been debited to the consolidated income statement.

The investment properties were situated in Hong Kong under medium-term to long-term leases.

The investment properties are leased to third parties under operating leases. Property rental income earned during the year ended 31 March 2009 was approximately HK$7,613,000 (2008: approximately HK$1,692,000). No contingent rental income was recognised during the years ended 31 March 2009 and 2008.

The Group leases its investment properties under operating lease arrangements with leases terms negotiated for terms ranging from 1 to 2 years, with an option to renew the contracts according to the prevailing market conditions. Tenants are required to pay security deposits under the lease terms.

At 31 March 2009 and 2008, the Group had future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	—	2,834
In the second to fifth years inclusive	—	—
	—	2,834

20. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 April 2007	6,567
Addition due to acquisition of subsidiaries (Note 37)	6
At 31 March 2008 and 1 April 2008	6,573
Addition due to acquisition of subsidiaries (Note 37)	393
At 31 March 2009	6,966
Impairment:	
At 1 April 2007	(1,515)
Impairment loss recognised	(3,558)
At 31 March 2008 and 1 April 2008	(5,073)
Impairment loss recognised	(1,893)
At 31 March 2009	(6,966)
Net book value	
At 31 March 2009	—
At 31 March 2008	1,500

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to the cash generating units of sales of fresh pork meat and related produce and property development. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2009 and 2008 is allocated as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of fresh pork meat and related produce	—	1,500
Property development	—	—
	—	1,500

During the year ended 31 March 2009, the Group assessed the recoverable amount of goodwill, and determined the goodwill associated with the sales of fresh pork meat and related produce unit was impaired by approximately HK$1,500,000 (2008: HK$3,552,000) and the property development unit was impaired by approximately HK$393,000 (2008: HK$6,000).

Sales of fresh pork meat and related produce

The recoverable amount of the sales of fresh pork meat and related produce unit was assessed by reference to value in use. A discount factor of 14.44% (2008: 17.01%) per annum was applied in the value in use model. The main factor contributing to the impairment of the cash generating unit was the expected sales have not been attained.

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period approved by management and a discount rate of 14.44% (2008: 17.01%).

The key assumptions used in the value in use calculations are as follows:

(i) ***Budgeted sales***

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the sales of fresh pork meat and related produce. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) ***Budgeted gross margin***

The management expects the cost of fresh pork meat fluctuates, it considers that the Group would adjust the selling price correspondingly in order to maintain its gross margin. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

Property development

The recoverable amount of the property investment unit was assessed by reference to value in use. A discount factor of 15.48% (2008: 17.01%) per annum was applied in the value in use model. The main factor contributing to the impairment was the Fuzhou property market has declined following reaching its peak in mid 2008.

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period approved by management and a discount rate of 15.48% (2008: 17.01%).

21. INTEREST IN AN ASSOCIATE

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Cost of investment in an associate — listed in Hong Kong	162,990	—
Loss on deemed disposal of interest in an associate	(9,127)	—
Share of profit	16,559	—
Less: Provision for impairment	(44,183)	—
	126,239	—
Market value of listed associate	55,486	—

On 30 October 2008, the Group enter into a sale and purchase agreement acquired 27.14% of the issued share capital of China Agri-Products Exchange Limited ("China Agri-Products") at a consideration of HK$150,000,000. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$44,183,000. The completion of the acquisition was on 10 February 2009. Such transaction constituted a major transaction for the Company under the Listing Rules. For more details, please refer to the Company's circular dated 24 November 2008.

China Agri-Products completed the revised top-up placing and the revised top-up subscription on 20 February 2009 and 25 February 2009 respectively. The shareholding of the Group over China Agri-products decreased to 22.62% after the top-up placing completed by China Agri-Products. Loss on deemed disposal of interest in an associate of approximately HK$9,127,000 was incurred. For more details, please refer to the Company's announcement dated 16 February 2009.

During the period from 23 February 2009 to 27 February 2009, the Group further acquired 54,000,000 issued shares of China Agri-Products with a total consideration of approximately HK$12,990,000. The consideration was satisfied in cash. Excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities over the cost of the Group's interest of approximately HK$11,974,000 incurred from this acquisition. After the acquisition, the Group holds 28.49% interest over China Agri-Products. For more details, please refer to the Company's announcements dated 23 February 2009 and 26 February 2009.

During the year ended 31 March 2009, the Group assessed the recoverable amount of the associate and determined the interest in an associate was impaired by approximately HK$44,183,000 (2008: Nil). The recoverable amount of the associate was assessed by reference to value in use. A discount factor of 13.96% (2008: Nil) per annum was applied in the value in use model.

The main factor contributing to the impairment was the profit contributable by the associate in the budget period may not match with previous expectation. The recoverable amount of the associate is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 13.96% per annum.

Cash flow projections during the budget period are based on the same expected gross margins and the same raw material price inflation rate during the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.2% per annum growth rate. This growth rate does not exceed the long term average growth rate for the market in which the associate operate. Management believes that a 2.2% per annum growth rate is reasonable.

The key assumptions used in the value in use calculations are as follows:

(i) ***Budgeted sales***

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the property rental, restaurant operation and property investment. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) ***Budgeted gross margin***

Average gross margins achieved in the period immediately before the budget period is expected be steady over the budget period. Although the management expects the operating cost is fluctuates, it considers that the Group would adjust the selling price correspondingly in order to maintain its gross margin. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

As at 31 March 2009, the particulars of the Group's associate are as follows:

Name	**Business structure**	**Place of incorporation and operations**	**Class of share held**	**Portion of issued capital/voting power held by the Group**	**Principal activity**
China Agri-Products*	Corporate	Bermuda/ Mainland China	Ordinary	28.49%	Property rental, restaurant operation and property investment

* The financial statements of China Agri-Products were not audited by HLB Hodgson Impey Cheng.

The financial year end date for China Agri-Products is 31 December. For the purpose of applying the equity method of accounting, China Agri-Products has prepared a separate set of financial statements as of 31 March 2009.

Financial information of China Agri-Products is set out as follows:

	2009
	HK$'000
Total assets	2,014,500
Total liabilities	(1,320,500)
Minority interest	(250,900)
Net assets	443,100

	2009
	HK$'000
Group's share of net assets of an associate	126,239
Revenue	10,119
Profit for the period from the date of acquisition to 31 March 2009	16,094
Group's share of profit of an associate for the period from the date of acquisition to 31 March 2009	4,585

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

As at 31 March 2008, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Principal place of incorporation and operation	Nominal value of ordinary/ paid up share capital	Proportion of nominal value of ordinary/ paid up share capital held by the Group	Proportion of voting power held	Principal activity
Vast Time Limited	Incorporated	Hong Kong	HK$1,000	50%	50%	Investment holding
Fuzhou Wang On Property Development Co., Ltd.	Incorporated	Mainland China	RMB321,480,000	50%	50%	Property development

During the year ended 31 March 2009, the Group had further acquired the remaining 50% share capital of the jointly-controlled entities by acquiring the entire issued share capital of Strengthen Investments Limited ("Strengthen Investments"), which is a beneficial owner of another 50% share capital of the jointly-controlled entities. After the completion of the acquisition, the jointly-controlled entities become the indirect wholly-owned subsidiaries of the Company. For details, please refer to Note 37 of the financial statements.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at costs	—	—
Amounts due from subsidiaries	912,030	575,626
Amount due to a subsidiary	23,302	30,050

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Loyal Fame International Limited	BVI	US$1	100%	Investment holding
Indirectly held				
Billion Trader Investments Limited	BVI	US$1	100%	Securities investment
Golden Maker (Dongguan) Property Development Co., Limited	Mainland China	RMB141,768,767	100%	Property development
Greatest Wealth Limited	Hong Kong	HK$100	100%	Operation of retail stalls selling fresh pork meat and related produce
Top Infinity Limited	Hong Kong	HK$1	100%	Provision of administrative services
Fuzhou Wang On Property Development Co, Ltd	Mainland China	RMB340,000,000	100%	Property development

None of the subsidiaries issued debt securities during the year or at the year end.

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

24. INVENTORIES

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Finished goods	69	81

25. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for sales of fresh pork meat and related produce segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. No trade receivable is past due as at 31 March 2009. The Group does not hold any collateral over these balances.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 30 days	15	35

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Movement in allowance for doubtful debts:		
At the beginning of the year	—	17,216
Impairment loss recognised on trade receivables	—	1,130
Reversal of impairment loss	—	(116)
Exchange realignment	—	106
Disposal of subsidiaries	—	(18,336)
At the end of the year	—	—

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets:				
Designated at fair value through profit or loss:				
— Callable range accrual note	—	1,931	—	1,931
— Unlisted debt securities (Note a)	4,110	—	4,110	—
	4,110	1,931	4,110	1,931
Current assets:				
Held for trading:				
— Equity securities listed in Hong Kong (Note b)	13,755	23,465	—	—
— Unlisted bond fund (Note c)	2,896	—	—	—
	16,651	23,465	—	—
	20,761	25,396	4,110	1,931

Notes:

(a) The unlisted debt securities are denominated in US dollar with maturity date on 16 February 2011. The fair value of debt securities is reference to the quoted market bid price.

(b) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the Stock Exchange.

(c) The unlisted bond fund is denominated in US dollar. The fair value of unlisted bond fund is reference to the quoted market bid price.

27. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$1,582,000 (2008: HK$3,163,000) which is not freely convertible into other currencies.

28. TRADE PAYABLES

An aged analysis of the Group's trade payables at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 90 days	316	231

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets:				
Redemption option of convertible notes (Note a)				
At the beginnng of the year	3,434	—	3,434	—
Arising on issuance of convertible notes (Note 32)	—	6,459	—	6,459
Fair value change	(866)	(3,025)	(866)	(3,025)
At the end of the year	2,568	3,434	2,568	3,434
Liabilities:				
Equity accumulator (Note b)	—	1,343	—	—

Notes:

(a) Pursuant to the agreement in relation to the issuance of convertible notes with a principal amount of HK$190,000,000 (Note 32(c)), a redemption option is held by the Company. The Company may at any time from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible note to be redeemed.

The redemption option derivatives are carried at fair value at the balance sheet date. The fair value of the conversion option derivatives embedded in the convertible notes is approximately HK$2,568,000 (2008: HK$3,434,000) and are calculated using the Black Scholes model. Details of the variables and assumptions of the model are as follows:

Date of issue:	5 October 2007
Share price at date of valuation:	HK$0.12
Remaining life at 31 March 2009:	3.5 years
Risk free interest rate:	1.33%
Expected volatility:	1.47%

(b) The equity accumulators of HSBC Holdings PLC Ltd and Cheung Kong Holdings Limited were matured on 6 November 2008 and 14 January 2009 respectively.

31. INTEREST-BEARING LOAN FROM A RELATED COMPANY

The Group and the Company

The loan with a principal amount of HK$40,000,000 from a related company, Fully Finance Limited ("Fully Finance"), is unsecured, carries interest at 6% per annum and is repayable on 28 January 2011.

Fully Finance is an indirect wholly owned subsidiary of Wang On Group Limited ("WOG") which held 23.89% of the shareholding interests in Wai Yuen Tong Medicine Holdings Limited ("WYT") which in turn held 29.97% of the shareholding interests in the Company as at 29 January 2009.

32. CONVERTIBLE NOTES

The Group and the Company

(a) On 24 January 2007, the Company issued 6.5% convertible notes with a principal amount of HK$3,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.2 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carried interest at a rate of 6.5% per annum, which is payable semi-annually in arrears and the convertible notes were fully converted into the Company's shares during the year ended 31 March 2008. The effective interest rate of the liability component was 8.45%.

(b) On 25 July 2007, the Company issued 6.5% convertible notes with a principal amount of HK$7,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.2 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carried interest at a rate of 6.5% per annum, which is payable semi-annually in arrears and the convertible notes were fully converted into the Company's shares during the year ended 31 March 2008. The effective interest rate of the liability component was 8.45%.

(c) On 5 October 2007, the Company issued 3% convertible notes with a principal amount of HK$190,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.12 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carries interest at a rate of 3% per annum, which is payable semi-annually in arrears. The maturity date of the convertible notes is 5 years later. The effective interest rate of the liability component is 5.92%.

The convertible notes contain two components, liability and equity elements. The equity element is presented in equity heading "Convertible notes equity reserve". The convertible notes have been split as to the liability and equity components, as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Nominal value of convertible notes issued during the year	—	197,000
Derivative financial instruments (Note 30)	—	6,459
Liability component	—	(172,977)
Equity component	—	30,482
Liability component at the beginning of the year	168,355	2,856
Liability component at the issuance date	—	172,977
Conversion into shares	—	(9,516)
Interest expense charged	10,019	4,888
Interest payable	(5,700)	(2,850)
Liability component at the end of the year	172,674	168,355

The fair value of the liability component of the convertible notes at 31 March 2009 and 2008 was determined base on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximate the corresponding carrying amounts. For details, please refer to Note 4(b) to the financial statements.

33. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2009 and 2008:

Deferred tax liabilities

	Convertible notes	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
The Group:			
At 1 April 2007	—	—	—
Charge to equity for the year	3,905	—	3,905
(Credit)/charge to consolidated income statement for the year (Note 12)	(334)	330	(4)
At 31 March 2008 and 1 April 2008	3,571	330	3,901
Release upon disposal of subsidiaries (Note 12)	—	(330)	(330)
Credit to consolidated income statement for the year (Note 12)	(712)	—	(712)
At 31 March 2009	2,859	—	2,859

	Convertible notes
	HK$'000
The Company:	
At 1 April 2007	—
Charge to equity for the year	3,905
Credit to income statement for the year	(334)
At 31 March 2008 and 1 April 2008	3,571
Credit to income statement for the year	(712)
At 31 March 2009	2,859

As at 31 March 2009 and 2008, the Group has estimated tax losses arising in Hong Kong of approximately HK$35,747,000 (2008: HK$26,760,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. No deferred tax assets have been recognised due to the unpredictability of future profits streams.

34. SHARE CAPITAL

	Number of shares		Share capital	
	2009	**2008**	**2009**	**2008**
	'000	*'000*	*HK$'000*	*HK$'000*
Authorised:				
At the beginning of the year ordinary shares of HK$0.01 each	20,000,000	2,000,000	200,000	20,000
Increase in authorised share capital (Note i)	—	18,000,000	—	180,000
At the end of the year ordinary shares of HK$0.01 each	20,000,000	20,000,000	200,000	200,000
Issued and fully paid:				
At the beginning of the year ordinary shares of HK$0.01 each	7,691,500	809,600	76,915	8,096
Placing of shares (Note ii)	—	6,831,900	—	68,319
Conversion of convertible notes into shares (Note iii)	—	50,000	—	500
At the end of the year ordinary shares of HK$0.01 each	7,691,500	7,691,500	76,915	76,915

Notes:

(i) Pursuant to a resolution passed in the extraordinary general meeting held on 13 September 2007, the authorised share capital of the Company was increased from HK$20,000,000 to HK$200,000,000 by the creation of an additional 18,000,000,000 unissued shares.

(ii) As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 161,900,000 shares of HK$0.01 each at the placing price of HK$0.265 each for the purpose of increasing working capital for the daily operation. The top-up placing was completed on 16 August 2007.

As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 4,570,000,000 shares of HK$0.01 each at the placing price of HK$0.1 each for the purpose of (a) possible investment in the property development projects in Vietnam and/or the mainland China; (b) investment in other potential investment target; (c) repayment of an amount due to Gain Better Investments Limited ("Gain Better"); and (d) increasing working capital of the Company. The placing was completed on 5 October 2007.

As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 2,100,000,000 shares of HK$0.01 each at the placing price of HK$0.1 each for the purpose of (a) possible investment in the property development projects in Vietnam and/or the mainland China; (b) investment in other potential investment target; (c) repayment of an amount due to Gain Better; and (d) increasing working capital of the Company. The placing was completed on 5 October 2007.

(iii) During the year ended 31 March 2008, convertible notes with principal amount of HK$10,000,000 were converted into 50,000,000 ordinary shares at a conversion price of HK$0.2 each per share.

Share option scheme

Details of the Company's share option scheme are included in Note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at the date of this report, the total number of shares available for issue under the Scheme is 769,150,000 shares, representing 10% of the share capital of the Company in issue as at the date of this report.

Up to the date of this report, no share options have been granted by the Company under the Scheme.

36. RESERVES

(a) The Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

The share premium account of the Group includes shares issued at premium.

Included in the revaluation reserve, amount of approximately HK$4,651,000 represents the adjustment on change in fair values on previously held 50% interest of prepaid lease payments. The Group initially acquired 50% equity interest on 10 December 2007 and further acquired the remaining 50% equity interest on 16 September 2008.

(b) **The Company**

	Share premium *HK$'000* *(Note i)*	Convertible notes equity reserve *HK$'000*	Capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2007	58,932	152	1,966	(67,034)	(5,984)
Share issue expenses	(13,789)	—	—	—	(13,789)
Issue of shares	641,585	—	—	—	641,585
Conversion of conversion notes into shares	9,523	(507)	—	—	9,016
Equity component of convertible notes (Note 32)	—	30,482	—	—	30,482
Cash received in excess of fair value of interest-bearing loans from shareholders	—	—	203	—	203
Release upon set off of interest-bearing loans from shareholders	—	—	(951)	951	—
Release upon repayment of interest-bearing loans from shareholders	—	—	(1,218)	1,218	—
Deferred tax arising on issue of convertible notes	—	(3,905)	—	—	(3,905)
Net profit for the year	—	—	—	12,145	12,145
At 31 March 2008 and 1 April 2008	696,251	26,222	—	(52,720)	669,753
Net loss for the year	—	—	—	(19,498)	(19,498)
At 31 March 2009	696,251	26,222	—	(72,218)	650,255

Note:

(i) The share premium account of the Company includes (i) share issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation upon the listing of the Company.

Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

At 31 March 2009, the Company's reserves available for distribution to shareholders amounting to approximately HK$624,033,000 (2008: HK$643,531,000) and calculated in accordance with the Companies Law (2002 Revision) (Cap.22) of the Cayman Islands and the articles of association of the Company.

37. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2009

On 31 July 2008, Joyful Leap Investments Limited ("Joyful Leap"), an indirectly wholly-owned subsidiary of the Group, entered into an agreement to acquire the entire equity interest of Strengthen Investments Limited ("Strengthen Investments") and a related shareholder's loan in the principal amount of approximately HK$195,000,000 at an aggregate consideration of approximately HK$197,800,000. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$393,000. The acquisition was completed on 16 September 2008.

Strengthen Investments holds 50% of the issued share capital of Vast Time Limited and its subsidiaries (collectively referred to as the "Vast Time Group"), the remaining 50% interest of which is beneficially owned by the Group. After the acquisition, Vast Time Group becomes the indirect wholly-owned subsidiaries of the Group.

Strengthen Investments is an indirect wholly-owned subsidiary of WOG which held 23.59% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 31 July 2008. Such transaction constituted a major transaction for the Company under the Listing Rules. For more details, please refer to the Company's circular dated 21 August 2008.

The net assets acquired in the transaction and the goodwill arising are as follows:

	The carrying amount of the acquiree's net assets before combination and at their fair values
	HK$'000
Property, plant and equipment	317
Prepaid lease payments	185,000
Property under development	987
Prepayments, deposits and other receivables	211
Cash and bank balance	11,054
Other payables and accruals	(162)
	197,407
Goodwill (Note 20)	393
	197,800

	HK$'000
Total consideration satisfied by:	
Cash consideration	197,800

Analysis of the net cash outflow in respect of the acquisition of subsidiaries:

	HK$'000
Cash paid	197,800
Cash and bank balances acquired	(11,054)
Net cash outflow in respect of the purchase of subsidiaries	186,746

Goodwill arose in the business combination because the cost of the combination included a premium paid to acquire Strengthen Investments. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

During the year ended 31 March 2009, no turnover was contributed by Strengthen Investments and its subsidiaries to the Group's turnover for the period from the date of acquisition to the balance sheet date.

For the year ended 31 March 2008

On 1 November 2007, Wisdom Gate Investments Limited ("Wisdom Gate"), a wholly-owned subsidiary of the Group, acquired 100% equity interests in Rich Fine Limited ("Rich Fine") at a consideration of HK$1. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$6,000. Such transaction constituted a very substantial acquisition for the Company under the Listing Rules. For details, please refer to the Company's circular dated 15 October 2007.

On 10 January 2008, Joyful Leap acquired 100% equity interests in Brightest Investments Limited ("Brightest Investments") and shareholder's loan at a consideration of HK$240,000,000. The consideration was satisfied in cash.

Brightest Investments is a wholly-owned subsidiary of WOG which held 28.31% of the shareholding interests in WYT which in turn held 29.97% of shareholding interests in the Company as at 10 January 2008. Such acquisition constituted a disclosable transaction on the part of the Company under the Listing Rules. For more details, please refer to the Company's circular dated 25 January 2008.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Rich Fine	Brightest Investments	
	The carrying amount of the acquiree's net assets before combination and at their fair values	**The carrying amount of the acquiree's net assets before combination and at their fair values**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Prepaid lease payments	—	62,968	62,968
Prepayments, deposits and other receivables	—	176,857	176,857
Time deposits	—	66	66
Cash and bank balances	—	113	113
Other payables and accruals	(6)	(4)	(10)
	(6)	240,000	239,994
Goodwill (Note 20)	6	—	6
	—	240,000	240,000

	Rich Fine	Brightest Investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Total consideration satisfied by:			
Cash consideration	—	240,000	240,000

Analysis of the net cash outflow in respect of the acquisition of subsidiaries:

	HK$'000
Cash paid	(240,000)
Cash and bank balances acquired	179
Net cash outflow in respect of the purchase of subsidiaries	(239,821)

Goodwill arose in the business combination because the cost of the combination included a premium paid to acquire Rich Fine. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future development. These benefits is not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

During the year ended 31 March 2008, no turnover was contributed by Rich Fine and Brightest Investments to the Group's turnover for the period from the date of acquisition to the balance sheet date.

On 5 February 2008, the Group's proposed investment to form a joint venture in Vietnam for a land development project through Rich Fine, which entered into the heads of agreement with Nguyen Hung Trading Services Limited Liability Company, was terminated since Nguyen Hung Trading Services Limited Liability Company had failed to obtain the official decisions from the relevant governmental bodies of Vietnam. For more details, please refer to the Company's announcement dated 5 February 2008.

38. ACQUISITION OF JOINTLY-CONTROLLED ENTITIES

For the year ended 31 March 2008

On 10 December 2007, Jumbo Sun Investments Limited, a wholly-owned subsidiary of the Group, acquired 50% equity interests in Vast Time Limited ("Vast Time") at a consideration of approximately HK$12,341,000 (RMB11,250,000). The consideration was satisfied in cash. For more details, please refer to the Company's circular dated 6 December 2007.

The net assets acquired in the transaction are as follows:

	The carrying amount of the acquiree's net assets before combination and at their fair values
	HK$'000
Prepaid lease payments	12,347
Prepayments, deposits and other receivables	2
Other payables and accruals	(8)
Cash consideration	12,341

	HK$'000
Total consideration satisfied by:	
Cash consideration	12,341

Analysis of the net cash outflow in respect of the acquisition of jointly-controlled entities:

	HK$'000
Net cash outflow in respect of the purchase of jointly-controlled entities	(12,341)

During the year ended 31 March 2008, no turnover was contributed by Vast Time to the Group's turnover for the period from the date of acquisition to the balance sheet date.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2009

On 13 February 2009, Loyal Fame International Limited ("Loyal Fame"), a wholly-owned subsidiary of the Group, entered into a share sales agreement with Wang On Enterprises (BVI) Limited ("Wang On Enterprises") to dispose of the Group's entire equity interest in Everlong Limited, a then indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred to as the "Everlong Group") at a consideration of approximately HK$63,400,000. The disposal of Everlong Group was completed on 25 March 2009.

Wang On Enterprise is a wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 13 February 2009. Such disposal constituted a disclosable transaction of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 13 February 2009.

The Group discontinued its investment holding business operations at the time of disposal of Everlong Group. The net assets of Everlong Group at the date of disposal were as follows:

Net assets disposed of:

	2009
	HK$'000
Property, plant and equipment	225
Investment properties	98,766
Trade receivables	18
Prepayments, deposits and other receivables	198
Cash and bank balance	1,568
Other payables and accruals	(1,920)
Interest-bearing bank loans	(33,391)
	65,464
Loss on disposal of subsidiaries from discontinued operations (Note 9)	(2,064)
Total consideration:	
Cash	63,400

Analysis of the net cash inflow in respect of the disposal of subsidiaries:

	HK$'000
Cash consideration	63,400
Cash and bank balances disposed of	(1,568)
Net cash inflow in respect of the disposal of subsidiaries	61,832

The impact of Everlong Group on the Group's results and cash flows in the current and prior year is disclosed in Note 9.

For the year ended 31 March 2008

On 25 January 2008, the Group entered into a share sales agreement with Taco Holdings Limited ("**Taco**") to dispose of the Group's equity interest in Born Idea Limited ("Born Idea"), a then indirect wholly-owned subsidiary of the Company, and its subsidiaries and associate ("Born Idea Group") at a consideration of approximately HK$18,108,000. The disposal of Born Idea was completed on 28 March 2008. For further details, please refer to the Company's circular dated 4 March 2008.

The Group discontinued its trading of fashion apparel business operations at the time of disposal of Born Idea. The net assets of Born Idea Group at the date of disposal were as follows:

Net assets disposed of:

	2008
	HK$'000
Property, plant and equipment	872
Interests in an associate	6,564
Inventories	13,249
Trade receivables	11,425
Prepayments, deposits and other receivables	169
Cash and bank balance	7,723
Trade payables	(6,680)
Accruals and other payables	(2,504)
Obligations under finance lease	(686)
Tax payable	(33,369)
	(3,237)
Release of exchange fluctuation reserve	1,395
Gain on disposal of subsidiaries from discontinued operations (Note 9)	19,950
Total consideration:	
Interest-bearing loan from a shareholder	18,108

Analysis of the net cash outflow in respect of the disposal of subsidiaries:

	HK$'000
Cash and bank balances disposed of	(7,723)

The impact of Born Idea Group on the Group's results and cash flows in the prior year is disclosed in Note 9.

40. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and pork stalls under operating lease arrangements which are negotiated for lease terms of from one to three years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	5,326	4,321
In the second to fifth years, inclusive	2,718	4,814
	8,044	9,135

The Company has no material operating lease commitments as at 31 March 2009 (2008: Nil).

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the years ended 31 March 2009 and 2008, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

(i) On 23 February 2009, the Company obtained a HK$10,000,000 loan from Gain Better, a wholly-owned subsidiary of WYT and a shareholder of the Company, carried interest at a rate of 8% per annum with maturity date on 22 February 2010. The loan was fully repaid during the year ended 31 March 2009.

(ii) On 13 February 2009, Loyal Fame entered into a sale and purchase agreement with Wang On Enterprises to dispose of entire equity interest in Everlong Limited to Wang On Enterprises, at a consideration of approximately HK$63,400,000. Wang On Enterprises is the wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 13 February 2009. The disposal of Everlong Group was completed on 25 March 2009.

(iii) On 29 January 2009, the Company obtained a HK$40,000,000 loan from Fully Finance, an indirect wholly-owned subsidiary of WOG which held 23.89% of the shareholding interest in WYT which in turn held 29.97% of the shareholding interests in the Company as at 29 January 2009, carries interest at a rate of 6% per annum with maturity date on 27 January 2011.

(iv) On 31 July 2008, Joyful Leap entered into an agreement to acquire entire equity interest in Strengthen Investments and a sales loan at a consideration of HK$197,800,000. Strengthen Investments was the then wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 31 July 2008. The acquisition was completed on 16 September 2008.

(v) On 30 July 2008, Kinwood Investment Limited, a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with Top Globe Limited, is currently owned as to 99% by Ms. Yau Yuk Yin who was a past director of Kinwood Investment Limited and Top Globe Limited.

(vi) On 10 January 2008, Joyful Leap acquired 100% equity interests in Brightest Investments at a consideration of HK$240,000,000. Brightest Investments was the then wholly-owned subsidiary of WOG which held 28.31% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 10 January 2008.

(vii) On 5 October 2007, the Company issued 3% convertible notes to Gain Better, an indirect wholly-owned subsidiary of WYT which is a shareholder of the Company, with a principal amount of HK$190,000,000 (Note 32).

(viii) On 6 August 2007, Gain Better has entered into an agreement to subscribe 161,900,000 top-up subscription shares of the Company at top-up placing price of HK$0.265 per top-up placing share and 2,100,000,000 new issue shares of the Company at the subscription price of HK$0.1 per share.

(ix) On 25 July 2007, the Company issued 6.5% convertible notes to Gain Better with a principal amount of HK$7,000,000. The convertible notes were fully converted into the Company's shares during the year ended 31 March 2008 (Note 32).

(x) On 12 June 2007, the Company has obtained a HK$4,000,000 loan from Gain Better carried interest at a rate of 6.5% per annum with maturity date on 26 January 2010 to the Company. The loan was fully repaid during the year ended 31 March 2008.

(xi) In addition, the leasing of retail stalls from Wang On Majorluck Limited or Majorluck Limited, which were indirect wholly-owned subsidiaries of WOG, to Greatest Wealth Limited for the operation of its sales of fresh pork meat and related produce of approximately HK$5,835,000 (2008: HK$4,091,000).

(xii) During the year, management fee of approximately HK$960,000 (2008: HK$960,000) was paid to WOG for the provision of management service to the Company constitute a connected transaction.

(xiii) During the year, the Group acquired the listed equity securities of WYT from the trade market. The fair value of the equity securities are based on the quoted market bid prices available on the Stock Exchange. The total consideration was approximately HK$1,161,000.

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 10 is as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	3,618	2,640
Employer contribution to pension scheme	30	44
	3,648	2,684

42. CAPITAL COMMITMENT

At 31 March 2009, the Group had the following capital commitments:

	2009	**2008**
	HK$'000	*HK$'000*
Contracted but not provided for:		
Acquisition of investment properties	—	18,602

The Company has no material capital commitment as at 31 March 2009 (2008: Nil).

43. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2009 (2008: Nil).

44. SUBSEQUENT EVENTS

(a) On 10 June 2009, Rich Skill Investments Limited ("Rich Skill"), an indirectly wholly-owned subsidiary of the Group, entered into a legally binding memorandum of understanding with Ms. To Yuk Fung, Mr. Lam Kam Hung, Mr. Tam Chi Hin (collectively referred to as "the Vendors") and Skywalker Global Resources Company Limited ("Skywalker"), pursuant to which the Group intends to acquire and the Vendors intend to sell an aggregate of 51% of the issued share capital of Skywalker ("Intended Acquisition") with a consideration of approximately HK$36,800,000 which will be satisfied by cash. For more details, please refer to the Company's announcement dated 11 June 2009.

On 13 July 2009, Rich Skill entered into a formal sale and purchase agreement with the Vendors to acquire 51% of the issued share capital of Skywalker with a consideration of approximately HK$36,800,000 which will be satisfied by cash. For more details, please refer to the Company's announcement dated 13 July 2009.

(b) On 10 June 2009, the Company entered into a conditional subscription agreement with Abterra Limited ("Abterra"), whose shares are listed on the main board of The Singapore Exchange Securities Trading Limited, under which the Company have conditionally agreed to subscribe for 255,000,000 shares from Abterra and Abterra have conditionally agreed to subscribed 385,000,000 new shares to be issued by the Company. The consideration to be paid by the Company for the subscription shall be set off by the consideration to be received by the Company for the issue of 385,000,000 new shares. For more details, please refer to the Company's announcement dated 12 June 2009.

(c) On 19 June 2009, China Agri-Products completed the placing of 2 billion shares, and the Company's shareholding interest in China Agri-Products has been diluted (the "Dilution") from approximately 28.49% to approximately 8.97%. For more details, please refer to the Company's announcement dated 25 June 2009.

45. COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been reclassified to confirm with the current year's presentation.

46. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 July 2009.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE LEROI GROUP

FOR THE YEAR ENDED 31 MARCH 2009

Financial Results

For the year ended 31 March 2009, the LeRoi Group recorded a turnover of approximately HK$61.8 million (2008: approximately HK$44.7 million), representing an increase of approximately 38.2% as compared with last year. This was primarily due to the increase of number of shops and the product price of the fresh pork retailing business. Profit margin was increased slightly from 33.6% to 37.3% mainly due to the price increase of pork. The LeRoi Group's loss attributable to equity holders for the same period rose by 248.3% to approximately HK$206.0 million (2008: loss of approximately HK$59.2 million) mainly due to the impairment of prepaid lease payments and the impairment of interest in an associate.

Dividend

The directors of LeRoi did not recommend any dividend for the year ended 31 March 2009 (2008: nil).

Operation and Business Review

During the year under review, the LeRoi Group was principally engaged in the business of property development and retailing of fresh pork meat.

Property Development

On 31 July 2008, the LeRoi Group entered into an agreement to acquire, for a consideration of HK$197.8 million, a company which holds an effective 50% equity interest in a PRC company, in which the other 50% was already held by the LeRoi Group. After completion of the acquisition, the LeRoi Group now has full ownership of a land site of approximate 2.4 million square feet in Fuzhou, Jiangxi Province, the PRC. It is intended that the land will be developed into a residential cum commercial complex. Such acquisition represented a significant expansion of the LeRoi Group's property development business in the PRC and has given the LeRoi Group full ownership over the development which is expected to benefit from the continuing economic development of Fuzhou. As at 22 July 2009, being the date of the annual report of LeRoi for the financial year ended 31 March 2009, the LeRoi Group's property development portfolio in the PRC is as follows:

City/Province	Percentage of ownership interest	Approximate site area *(square feet)*	Development plan
Fuzhou, Jiangxi Province	100%	2,400,000	Residential cum commercial complex
Dongguan, Guangdong Province	100%	690,000	Residential cum commercial complex
Total		**3,090,000**	

During the year, the LeRoi Group submitted the layout designs of these two projects in the PRC for approval and applied for the appropriate licenses from the relevant PRC authorities. The LeRoi Group will continue to consider potential projects in the PRC in order to strengthen its PRC property development portfolio.

Retailing of Fresh Pork Meat and Related Products

The sale of fresh pork meat and related products in Hong Kong continued to generate steady income and cash flow for the LeRoi Group during the year under review. The number of stalls increased from 13 to 17 as at 31 March 2009. It is expected this profitable business will continue to bring a significant contribution and stable cashflow towards the LeRoi Group.

Material Acquisitions and Disposals

Acquisition of interest in China Agri-Products

To capture the potential offered by a significant stake in a PRC-based business selling agricultural products in light of the large population with increasing household income level in the PRC and the favorable policies on agriculture of the PRC government, the LeRoi Group entered into an agreement on 30 October 2008 to acquire 27.14% of the issued share capital of China Agri-Products, the shares of which are listed on the main board of the Stock Exchange. The acquisition was completed in February 2009. During the period under review and subsequent to completion of this acquisition, LeRoi further acquired 54,000,000 China Agri-Products shares in the open market to increase its stake in China Agri-Products. As at 31 March 2009, the LeRoi Group held 28.49% of issued share capital of China Agri-Products.

Acquisition of the entire equity interest in Strengthen Investments Limited ("Strengthen Investments")

On 31 July 2008, the LeRoi Group entered into an agreement to acquire the entire equity interest in Strengthen Investments and a related shareholder's loan for a total consideration of HK$197.8 million, completion of which took place in September 2008. Strengthen Investments held another 50% equity interest in Vast Time Limited ("**Vast Time**") which, through a company established in the PRC, held a land located in Fuzhou, Jiangxi Province, the PRC, which was intended to be developed into a residential cum commercial complex.

Disposal of the entire interest of Everlong Limited and its subsidiaries

On 13 February 2009, the LeRoi Group entered into an agreement with Wang On Enterprises (BVI) Limited ("**Wang On Enterprises**") for the disposal of the entire interest in Everlong Limited (together with its subsidiaries, collectively referred to as the "**Everlong Group**") at the consideration of HK$63.4 million ("**Disposal**"). The principal assets of the Everlong Group were 54 residential units in Hong Kong which had a gross floor area of approximately 32,600 square feet. The directors of LeRoi considered that the Disposal would allow the LeRoi Group to have more resources to focus on property development in the PRC and to seek other new business opportunities.

Investment in China Agri-Products

In light of the future prospect of agricultural produce exchange business, the LeRoi Group entered into an agreement on 30 October 2008 to acquire 27.14% interest in China Agri-Products, the shares of which are listed on the main board of the Stock Exchange and was engaged in property rental, restaurant operation and property investment. Completion of such acquisition took place in February 2009. The LeRoi Group further acquired certain interest in China Agri-Products in February 2009 and held 28.49% interest in it as at 31 March 2009.

Liquidity and Financial Resources

The LeRoi Group's total assets as at 31 March 2009 were approximately HK$711.5 million (2008: approximately HK$869.0 million) and total liabilities and shareholders' fund were approximately HK$224.7 million (2008: approximately HK$182.4 million) and approximately HK$486.8 million (2008: approximately HK$686.6 million), respectively. The current ratio decreased from approximately 42.1 times in 2008 to approximately 11.7 times in 2009 which was mainly attributable to cash funding required by the acquisition of 27.14% interest in China Agri-Products and the acquisition of 50% equity interest in a PRC company which holds a land in Fuzhou, Jiangxi Province, the PRC. As at 31 March 2009, the LeRoi Group did not have any bank borrowings. As at 31 March 2009, there were outstanding 3% convertible bonds with an aggregate principal of HK$190 million issued in October 2007 by LeRoi to a subsidiary of LeRoi's substantial shareholder, and a HK$40.0 million loan from a related company.

Exposure to Fluctuation in Exchange Rates

The revenue and bank deposit of the LeRoi Group, and its operating costs, are mainly denominated in RMB and Hong Kong dollars. The LeRoi Group has exposure to the risk of RMB exchange rate fluctuations on account of its property development in the PRC. LeRoi has not employed any hedging instruments or derivative products. In order to minimise the exchange rate risk, the LeRoi Group intends to make use of local bank borrowings in RMB to finance the construction of the PRC property development projects and utilise the sale proceeds of these projects to repay such bank borrowings.

Contingent Liabilities and Charge on Assets

As at 31 March 2009, there was no significant contingent liability (2008: Nil) and there was no asset being pledged to secure banking facilities (2008: Nil).

Gearing Ratio

As at 31 March 2009, the gearing ratio, defined as the ratio of total debt to equity attributable to equity holders of LeRoi, was approximately 43.7% (2008:24.5%).

Future Plans and Prospects

The LeRoi Group endeavors to develop a diversified business portfolio in different locations. Looking forward, the LeRoi Group will maintain its steady focus on its existing business and yet remain strategically focused on future expansion. As a niche property developer in the PRC, the LeRoi Group expects that the LeRoi Group can benefit from the growing opportunities in this sector. As a strategic investor in an agricultural produce wholesaler in the PRC, the LeRoi Group expects to enjoy good and steady returns due to the expected growth in this market in the PRC. As a potential new investor in the forestry industry, the LeRoi Group is optimistic about the growth demand of timber market in the PRC and East Asia in the years ahead. Based on preliminary information available to the LeRoi Group, the estimated timber volume of the timber is approximately 10 million cubic metres with total land area of approximately 240,000 hectares, which is doubled than the total area of Hong Kong. Details were disclosed in the announcements of LeRoi dated 11 June 2009 and 13 July 2009 respectively. It is preliminarily expected that LeRoi can start to export timber around the end of 2010. Coupled with the expected steady growth in the regional economy in the PRC and East Asia, the LeRoi Group will strive to maintain a strategy that can ensure balanced and sustainable development of its business in order to deliver long-term benefits to its shareholders.

Employees and Remuneration Policy

As at 31 March 2009, the LeRoi Group employed a total of 54 employees (2008: 50). The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$23.9 million. The LeRoi Group has adopted a performance based on rewarding system to motivate the staff and such system is reviewed on a regular basis. The LeRoi Shareholders adopted a share option scheme (the "**Share Option Scheme**") on 8 October 2002 which is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2009, no share option had been granted or was outstanding under the Share Option Scheme.

FOR THE YEAR ENDED 31 MARCH 2008

Results

For the year ended 31 March 2008, the LeRoi Group recorded a turnover of approximately HK$84.2 million (2007: approximately HK$32.8 million), representing an increase of approximately 156.7% as compared with the previous year. This was primarily due to the full year contribution of the fresh pork retailing business and the rental income from property investment projects which were introduced to the LeRoi Group in March 2007.

The LeRoi Group's loss attributable to equity holders for the same period rose by 35.0% to approximately HK$59.2 million (2007: loss of approximately HK$43.8 million). The increase in cost of sales by 171.8% was generally in line with the corresponding increase in revenue generated. Gross profit was approximately HK$25.2 million (2007: HK$11.1 million), and the narrowed gross profit margin was mainly attributable to the significant increase in the costs of apparel material and imported pork and related products, particularly during the second half of the financial year.

Operation and Business Review

During the year under review, the LeRoi Group underwent a series of business re-engineering. Significant headway was made in advancing its diversification strategy as the LeRoi Group succeeded in establishing business operations in new business sectors. This was convincing proof that the collective efforts of the LeRoi Group's management have paid off, allowing the LeRoi Group to concentrate its resources on its successful core businesses.

Property Investment and Development

In capturing investment opportunities amid surging local property prices, the LeRoi Group made strategic property investments throughout this financial year. As at 15 July 2008, being the date of the annual report of LeRoi for the financial year ended 31 March 2008, the LeRoi Group had a portfolio of over 45 investment properties in Hong Kong. All of them were prime residential or commercial units. They not only provided the LeRoi Group with steady recurrent rental income but also the opportunity to enjoy attractive financial returns from the appreciation in property values.

In addition to local property investment, the LeRoi Group also continued to seek potential prime real estates in mainland China as well as throughout other parts of the Southeast Asia region. In view of rapid urbanization and the growing demand for residential and commercial real estate in mainland China, the LeRoi Group had consolidated its strength in the property development business in mainland China. In November 2007, the LeRoi Group entered into an agreement for the acquisition of a 50% equity interest in a company established in the PRC which acquired by way of a public auction a land site in Fuzhou, Jiangxi Province, the PRC. In January 2008, the LeRoi Group further entered into an agreement to purchase a company which acquired by way of a public auction another site in Dongguan, Guangdong Province, the PRC. As at 15 July 2008, the LeRoi Group's property development portfolio in mainland China is as follows:

City/Province	Approximate site area *(square feet)*	Development plan
Fuzhou, Jiangxi Province	2,400,000	Residential cum commercial complex
Dongguan, Guangdong Province	690,000	Residential cum commercial complex

During the year, the LeRoi Group explored the opportunity to invest in the Vietnamese property market and set up a branch office at Ho Chi Minh City in October 2007. However, after due consideration and assessment of the market and financial risk, the office was closed down in April 2008.

Retailing of Fresh Pork Meat and Related Products

The sale of fresh pork meat and related products in Hong Kong continued to generate steady income and cash flow for the LeRoi Group during the year under review. It was expected such profitable business would continue to be a significant contribution towards the turnover for the LeRoi Group.

Fashion Apparel Business

In light of the increasing competition in the garment market in the PRC and the continuing losses incurred by its loss-making fashion apparel business, the LeRoi Group entered into an agreement on 25 January 2008 for the disposal of its fashion apparel business in the PRC, resulting in an exceptional gain of approximately HK$20.0 million. The move allowed the LeRoi Group to concentrate its resources on other segments with better returns and prospects.

Material Acquisitions and Disposals

Acquisition of 50% equity interest in Vast Time

On 23 November 2007, the LeRoi Group jointly with a subsidiary of Wang On entered into an agreement to acquire each of the 50% equity interest in Vast Time at a consideration of RMB11.25 million each, completion of which took place in December 2007. Vast Time, through a company established in the PRC, held a land located in Fuzhou, Jiangxi Province, the PRC, which is intended to be developed into a residential cum commercial complex.

*Acquisition of the entire equity interest in Brightest Investments Limited ("**Brightest Investments**")*

On 7 January 2008, the LeRoi Group entered into an agreement to acquire the entire interest in Brightest Investments and a related shareholder's loan at an aggregate consideration of HK$240 million. Brightest Investments, through a company established in the PRC, held a land located in Dongguan, Guangdong Province, the PRC, which is approved to residential and commercial use, completion of which took place in January 2008.

Disposal of the entire equity interest in Born Idea Limited

On 25 January 2008, the LeRoi Group entered into an agreement with Taco for the disposal of the entire equity interest in Born Idea Limited and a related shareholder's loan at an aggregate consideration of HK$18.82 million, completion of which took place in March 2008. Born Idea Limited and its subsidiaries were engaged in trading of fashion apparels business.

Liquidity and Financial Resources

Fund Raising Activities

In August 2007, the LeRoi Group raised net proceeds of approximately HK$900 million by placing shares and convertible bonds with independent investors, institutional investors and LeRoi's substantial shareholder, completion of which took place in early October 2007. This substantially strengthened its financial power to capture future opportunities for property investment and development, to make strategic investment in Hong Kong and the Southeast Asia Region in areas where competition was less fierce and returns are more lucrative, to repay loans and for general working capital purpose.

The shareholders' loans made available to LeRoi by Taco and Gain Better in a sum of approximately HK$42.8 million were fully settled during the year under review. As at 31 March 2008, there were outstanding 3% Convertible Bonds with an aggregate principal amount of HK$190 million issued by LeRoi to Gain Better.

As at 31 March 2008, the LeRoi Group's bank balance and cash amounted to approximately HK$390.2 million (2007: approximately HK$21.5 million) with total borrowings of approximately HK$168.4 million (2007: approximately HK$39.7 million). Current ratio increased from approximately 1.48 times in 2007 to 42.1 times in 2008. During the year, the LeRoi Group did not have any exposure to bank borrowings. The LeRoi Group was net debt free with net cash of approximately HK$221.8 million.

As at 31 March 2008, total assets and total liabilities amounted to approximately HK$869.0 million (2007: approximately HK$80.2 million) and HK$182.4 million (2007: HK$78.0 million), respectively. The increase in total assets was mainly due to cash proceeds received from the share placing and issuance of the Convertible Bonds whereas the increase in total liabilities was mainly due to the Convertible Bonds, which was however partially offset by the repayment of shareholders' loans and the tax liability associated with the disposal of the fashion business.

Exposure to Fluctuation in Exchange Rates

The LeRoi Group had exposure to the risk of exchange rate's fluctuations for RMB on account of its property investments in mainland China. LeRoi did not employ any hedging instruments as the market for hedging instruments was neither available nor cost effective enough to be attractive. In order to minimise the exchange rate risk, the LeRoi Group made use of local bank borrowings in RMB to finance the construction projects and will utilise the proceeds from the sales of residential and commercial projects to repay the bank borrowings.

Future Plans and Prospects

The LeRoi Group embarked on various diversification projects from 2007. It achieved considerable progress in the past year in laying a more solid foundation for future growth by extending its business to cover new areas, such as property investment and development and retailing. Looking forward, the LeRoi Group would maintain its steady development and yet remain strategically focused on future expansion.

As a niche player focused on improving property rental returns in Hong Kong, the LeRoi Group is well positioned to benefit from the growing opportunities in this sector. Having carried out a series of fund-raising activities, the LeRoi Group had boosted its capital base which has given it substantial investment capability. The LeRoi Group was optimistic about the growth prospects of mainland China, and expected the property market to continue to prosper in the long run, particularly in second-tiers cities. The acquisition of land in mainland China enabled the LeRoi Group to maintain a land bank to optimise its scope and to further strengthen its foothold in mainland China property development market.

Supported by steady growth in the regional economy, the LeRoi Group would strive to maintain a strategy that can ensure balanced and sustainable development of its business in order to deliver long-term benefits to its shareholders.

Employees and Remuneration Policy

As at 31 March 2008, the LeRoi Group employed a total of 50 employees, all of whom were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$17.0 million. The LeRoi Group has adopted a performance based rewarding system to motivate the staff and such system is reviewed on a regular basis. The LeRoi Shareholders adopted the Share Option Scheme on 8 October 2002 which is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2008, no share options had been granted or were outstanding under the Share Option Scheme.

Contingent Liabilities and Charge on Asset

As at 31 March 2008, there was no significant contingent liability (2007: Nil) and there was no asset being pledged to secure banking facilities (2007: Nil).

Gearing Ratio

The gearing ratio, defined as the ratio of total debt to equity attributable to equity holders of LeRoi, was approximately 24.5% (2007: 1,832.7%).

FOR THE YEAR ENDED 31 MARCH 2007

Financial Review

For the year ended 31 March 2007, the LeRoi Group recorded a turnover of approximately HK$32.8 million, representing a decrease of approximately 58.4% as compared to the corresponding period last year. Gross profit was approximately HK$11.1 million, representing a decrease of approximately 45.4%. However, there was an increase in profit margin from approximately 25.7% to 33.8%. This was mainly due to the change in selling arrangement with the LeRoi Group's franchisees from a trading basis to a consignment basis.

The LeRoi Group's loss attributable to shareholders for the year ended 31 March 2007 was approximately HK$43.8 million, which was mainly due to provisions of approximately HK$10.4 million and HK$18.8 million for impairment of trade receivables and obsolete inventories, respectively. Moreover, the LeRoi Group also had to provide for impairment of goodwill of approximately HK$1.5 million and impairment of property, plant and equipment of approximately HK$0.7 million.

LeRoi entered into a subscription agreement on 27 January 2006 (as detailed in LeRoi's announcement dated 24 April 2006) pursuant to which LeRoi had agreed to issue and WYT had agreed to subscribe for convertible notes in a maximum aggregate principal amount of HK$10 million. The subscription was partially completed in January 2007 and LeRoi issued convertible notes with an aggregate principal amount of HK$3 million, the net proceeds of which were used as the LeRoi Group's general working capital. WYT has the right to call for the issue of the balance of the convertible notes.

On 27 January 2006, WYT and Taco (the then controlling shareholder of LeRoi) entered into a share purchase agreement pursuant to which WYT had conditionally agreed to purchase from Taco 205 million shares of LeRoi at a total consideration of HK$37.5 million. Upon completion in January 2007, WYT through its subsidiary was interested in approximately 25.32% of the issued capital of LeRoi. Pursuant to the share purchase agreement, Taco provided a sum of HK$18.75 million in the form of a shareholder's loan to LeRoi. WYT also made a shareholder's loan of HK$20 million to LeRoi. The shareholders' loans were almost used up for acquisition, general working capital and future business development.

Operation and Business Review

During the year under review, there were 22 franchisees who joined LeRoi's fashion apparel. On the other hand, there were 29 franchisees who dropped out. As a result, the total number of LeRoi's franchisees as at 31 March 2007 decreased from 58 to 51. The relatively high turnover in franchisees affected the overall performance of the LeRoi Group.

As at 31 March 2007, the LeRoi Group's subsidiary in Shenzhen operated 10 counters in department stores in the PRC as compared to 9 counters last year. The LeRoi Group has been targeting locations that will widen the distribution network in the PRC.

As for the new businesses acquired in March 2007 (i.e. wet market retailing and property investment), only negligible contribution was reflected in the financial year under review.

Material Acquisitions and Disposals

Acquisition of the entire equity interest in Allied Victory Investment Limited

On 26 February 2007, the LeRoi Group entered into a share purchase agreement to acquire the entire equity interest in Allied Victory Investment Limited, which was engaged in property investment in Hong Kong and a shareholder's loan at a total consideration of HK$10.2 million.

Acquisition of the entire equity interest in Greatest Wealth Limited

On 26 February 2007, the LeRoi Group entered into a share purchase agreement to acquire the entire equity interest in Greatest Wealth Limited, which was engaged in retailing of fresh pork meat and related products business and a related shareholder's loan at a total consideration of HK$8.0 million.

Future Plans and Prospects

Looking forward, the LeRoi Group will keep its investment and operating strategies under review on an ongoing basis.

As a result of completion of the acquisition of certain business and a number of properties in March 2007, the LeRoi Group has diversified into new areas of business which are wet market retailing and property investment. The acquisition will strengthen the revenue stream of the LeRoi Group and reduce the risk in reliance on a single line of business. The LeRoi Group is looking at the possibility of increasing the number of stalls for the pork business in different districts in Hong Kong. On the other hand, the properties acquired will provide a steady income and cash flow stream.

Liquidity and Financial Resources

As at 31 March 2007, the LeRoi Group had net current assets of approximately HK$18,365,000 (31 March 2006: approximately HK$32,939,000) and cash and bank deposits of approximately HK$21,499,000 (31 March 2006: approximately HK$4,606,000). The LeRoi Group did not raise any bank borrowing during the year but obtained shareholders' loan of principal amount of HK$38,750,000 and issued convertible notes for an aggregate sum of HK$3,000,000.

Exposure to Fluctuation in Exchange Rates

For the year ended 31 March 2007, the LeRoi Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

Employees and Remuneration Policy

As at 31 March 2007, the LeRoi Group employed a total of 39 employees. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$4.6 million. The employees were remunerated based on their work performance, experiences and the prevailing industry practice. The LeRoi Group operates a Mandatory Provident Fund Scheme for those employees who are eligible to participate. The LeRoi Shareholders adopted the Share Option Scheme on 8 October 2002 which is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2007, no share options had been granted or were outstanding under the Share Option Scheme.

Contingent Liabilities and Charge on Asset

During the year, the Hong Kong Inland Revenue Department ("**IRD**") issued two estimated assessments demanded for tax payment of approximately HK$4,193,000 and HK$800,000 to two wholly-owned subsidiaries of the LeRoi Group for the year of assessment of 2000/01. Both estimated tax assessments were held over unconditionally by the IRD. No provision was required at this stage in respect of the LeRoi Group's exposure to the above matters.

Apart from above, the LeRoi Group did not have any material contingent liabilities or asset being pledged to secure banking facilities (2006: Nil) as at 31 March 2007.

Gearing Ratio

The gearing ratio, defined as the ratio of total debt to equity attributable to equity holders of LeRoi, was 1,832.7% (2006: 0.1%).

REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed (a) acquisition of additional 1,463,835,000 shares of LeRoi Holdings Limited ("LeRoi") from the independent LeRoi shareholders with five new shares of the Company for two shares of LeRoi (the Group upon completion of (a) referred to as the "Enlarged Group with LeRoi as a subsidiary" for scenario 2 set out in section D on pages III-14 to III-23 to this circular); (b) offer of an unsecured long-term loan of HK$190,000,000 which carries interest at 8% per annum to LeRoi solely for the redemption of the unlisted note due from LeRoi subscribed by the Company; and (c) redemption of the unlisted note by LeRoi (the Group upon completion of (a), (b) and (c) refer to as the "Enlarged Group with LeRoi as an associate" for scenario 1 set out in section C on pages III-4 to III-13 to this circular) might have affected the financial information presented, for inclusion in Appendix III of the circular dated 16 September 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages III-3 to III-23 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group with LeRoi as a subsidiary and the Enlarged Group with LeRoi as an associate as at 31 March 2009 or any future date; or

- the results and cash flows of the Enlarged Group with LeRoi as a subsidiary and the Enlarged Group with LeRoi as an associate for the year ended 31 March 2009 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 16 September 2009

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION

For the purpose of the preparation of the unaudited pro forma financial information, two scenarios are presented as follows:

(i) Scenario 1: Unaudited pro forma financial information of the Enlarged Group with LeRoi as an associate set out in Section C on pages III-4 to III-13 is prepared as if (a) acquisition of additional 1,463,835,000 shares of LeRoi from the independent LeRoi shareholders with five new shares of the Company for two shares of LeRoi (the "Partial Share Exchange Offer"); (b) offer of an unsecured long-term loan of HK$190,000,000 which carries interest at 8% per annum to LeRoi solely for the redemption of the unlisted note due from LeRoi subscribed by the Company and (c) redemption of the unlisted note by LeRoi have been completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement to illustrate the effect of the completion of (a), (b) and (c).

(ii) Scenario 2: Unaudited pro forma financial information of the Enlarged Group with LeRoi as a subsidiary set out in Section D on pages III-14 to III-23 is prepared as if the Partial Share Exchange Offer has been completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement to illustrate the effect of the completion of the Partial Share Exchange Offer. On completion of the Partial Share Exchange Offer, the Company holds 49% equity interest in LeRoi. In this scenario, pursuant to HKAS 27 LeRoi is accounted for as a subsidiary because the Company has the power to control the board of directors and operation of LeRoi if the conversion option embedded in the unlisted note is exercised. Upon conversion of the unlisted note, the Company will hold 57.71% equity interest in LeRoi after the Partial Share Exchange Offer.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group with LeRoi as an associate and the Enlarged Group with LeRoi as a subsidiary. It is prepared for illustrative purposes only and does not purport to predict what the results and cash flows, or financial position of the Enlarged Group with LeRoi as an associate and the Enlarged Group with LeRoi as a subsidiary would have been on the completion of (a), (b) and (c) as stated in (i) above and the Partial Share Exchange Offer, respectively.

C. Scenario 1: Unaudited pro forma financial information of the Enlarged Group with LeRoi as an associate is prepared as if (a), (b) and (c) as stated in section B(i) have been completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement to illustrate the effect of the completion of (a), (b) and (c) as stated in section B(i).

1. Unaudited pro forma consolidated income statement of the Enlarged Group with LeRoi as an associate

The unaudited pro forma consolidated income statement of the Enlarged Group with LeRoi as an associate for the year ended 31 March 2009 is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and adjusted to reflect the effect as if (a), (b) and (c) as stated in section B(i) have been completed on 1 April 2008.

	The Group for the year ended 31 March 2009 *HK$'000* *(Audited)*	**Pro forma adjustments** *HK$'000* *(Unaudited)*	*Notes*	**Pro forma amount** *HK$'000* *(Unaudited)*
Revenue	496,151			496,151
Cost of sales	(267,478)			(267,478)
Gross profit	228,673			228,673
Other income	16,602	5,181	a	21,783
Selling and distribution expenses	(153,494)			(153,494)
Administrative expenses	(97,788)			(97,788)
Finance costs	(6,036)			(6,036)
Change in fair value of options embedded in the unlisted note	(252,827)	252,827	b	—
Change in fair value of investments held-for-trading	(11,618)			(11,618)
Discount on acquisition of a subsidiary	691			691
Impairment losses recognised in respect of goodwill	(10,382)			(10,382)
Loss on early redemption of the unlisted note		(266,838)	c	(266,838)
Share of results of associates	(62,221)	(53,627)	d	(115,848)
Gain on disposal of a subsidiary	2,636			2,636
Loss before taxation	(345,764)			(408,221)
Income tax expense	(178)			(178)
Loss for the year	(345,942)			(408,399)
Attributable to:				
Equity holders of the Company	(345,906)	(62,457)	i	(408,363)
Minority interests	(36)			(36)
	(345,942)			(408,399)

2. **Unaudited pro forma consolidated balance sheet of the Enlarged Group with LeRoi as an associate**

The unaudited pro forma consolidated balance sheet of the Enlarged Group with LeRoi as an associate as at 31 March 2009 is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and adjusted to reflect the effect as if (a), (b) and (c) as stated in section B(i) have been completed on 31 March 2009.

	The Group at 31 March 2009	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Unaudited)*		*(Unaudited)*
Non-current assets				
Property, plant and equipment	58,406			58,406
Prepaid lease payments	93,562			93,562
Goodwill	15,335			15,335
Interests in associates	148,058	475,757	e	623,815
Derivative financial instruments	35,648	(35,648)	f	—
Other intangible assets	3,749			3,749
Investment in the unlisted note	172,682	(172,682)	f	—
Loan to an associate		190,000	f	190,000
Deferred tax assets	378			378
	527,818			985,245
Current assets				
Inventories	80,751			80,751
Trade and other receivables	75,393			75,393
Prepaid lease payments	2,774			2,774
Amounts due from associates	3,385			3,385
Tax recoverable	2,014			2,014
Investments held-for-trading	3,889			3,889
Bank balances and cash	57,096	(3,670)	g	53,426
	225,302			221,632

	The Group at 31 March 2009	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Unaudited)*		*(Unaudited)*
Current liabilities				
Trade and other payables	60,214			60,214
Tax payable	1,360			1,360
Obligations under finance leases	9			9
Bank borrowings	16,202			16,202
Deferred franchise income	98			98
Loan from a shareholder	25,000			25,000
Advances from minority shareholders of a subsidiary	3,396			3,396
	106,279			106,279
Net current assets	119,023			115,353
Total assets less current liabilities	646,841			1,100,598
Non-current liabilities				
Bank borrowings	47,182			47,182
Deferred tax liabilities	110			110
	47,292			47,292
Net assets	599,549			1,053,306
Capital and reserves				
Share capital	20,104	36,596	h	56,700
Reserves	572,632	435,491	h	989,793
		(18,330)	f	
Equity attributable to equity holders of the Company	592,736			1,046,493
Minority interests	6,813			6,813
Total equity	599,549			1,053,306

3. **Unaudited pro forma consolidated cash flow statement of the Enlarged Group with LeRoi as an associate**

The unaudited pro forma consolidated cash flow statement of the Enlarged Group with LeRoi as an associate for the year ended 31 March 2009 is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and adjusted to reflect the effect as if (a), (b) and (c) as stated in section B(i) have been completed on 1 April 2008.

	The Group for the year ended 31 March 2009	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Unaudited)*		*(Unaudited)*
OPERATING ACTIVITIES				
Loss before taxation	(345,764)	(62,457)	i	(408,221)
Adjustments for:				—
Depreciation of property, plant and equipment	16,987			16,987
Change in fair value of options embedded in the unlisted note	252,827	(252,827)	b	—
Loss on early redemption of the unlisted note	—	266,838	c	266,838
Finance costs	6,036			6,036
Gain on disposal of a subsidiary	(2,636)			(2,636)
Discount on acquisition of a subsidiary	(691)			(691)
Reversal of allowance for obsolete inventories	(1,228)			(1,228)
Impairment losses recognised in respect of goodwill	10,382			10,382
Amortisation of prepaid lease payments	2,774			2,774
Amortisation of other intangible assets	930			930
Interest income	(10,712)	(5,181)	a	(15,893)
Dividends from investments held-for trading	(650)			(650)
Loss on disposal of property, plant and equipment	58			58
Change in fair value of investments held-for-trading	9,579			9,579
Recognition of allowance for trade and other receivables	11,915			11,915
Share-based payment expenses	813			813
Share of results of associates	62,221	53,627	d	115,848

	The Group for the year ended 31 March 2009	Pro forma adjustments		Pro forma amount
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Unaudited)*		*(Unaudited)*
Operating cash flows before movements in working capital	12,841			12,841
Decrease in inventories	22,185			22,185
Increase in trade and other receivables	(3,336)			(3,336)
Decrease in amounts due from associates	1,895			1,895
Decrease in investments held-for-trading	2,344			2,344
Decrease in trade and other payables	(15,836)			(15,836)
Decrease in deferred franchise income	(15)			(15)
Cash generated from operations	20,078			20,078
Interest received	482			482
Hong Kong Profits Tax paid	(2,984)			(2,984)
Overseas taxation paid	(712)			(712)
NET CASH FROM OPERATING ACTIVITIES	16,864			16,864
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(17,060)			(17,060)
Acquisition of additional interest in an associate	—	(3,670)	g	(3,670)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,802)			(1,802)
Purchase of trademarks	(75)			(75)
Interest received	5,971	5,700	j	11,671
Proceeds from disposal of unlisted notes	3,889			3,889
Disposal of a subsidiary	1,998			1,998
Decrease in pledged deposits	1,599			1,599
Dividends received from investments held-for-trading	650			650
Inproportionate capital contribution from a minority shareholder of a subsidiary	464			464
Proceeds from disposal of property, plant and equipment	125			125

	The Group for the year ended 31 March 2009	Pro forma adjustments		Pro forma amount
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Unaudited)*		*(Unaudited)*
NET CASH USED IN INVESTING ACTIVITIES	(4,241)			(2,211)
FINANCING ACTIVITIES				
Redemption of convertible loan note	(145,275)			(145,275)
Repayments of bank borrowings	(45,455)			(45,455)
Interest paid	(2,952)			(2,952)
Repayment of obligations under finance leases	(13)			(13)
New bank loans raised	60,401			60,401
Proceeds from issue of shares	55,276			55,276
Share issue expenses	(1,681)			(1,681)
Loan from a shareholder	35,000			35,000
Repayment of loan from a shareholder	(10,000)			(10,000)
Advance from minority shareholders of a subsidiary	233			233
NET CASH USED IN FINANCING ACTIVITIES	(54,466)			(54,466)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(41,843)			(39,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	100,019			100,019
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,080)			(1,080)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	57,096			59,126

4. **Notes to the unaudited pro forma financial information of the Enlarged Group with LeRoi as an associate:**

a. The adjustment reflects the net effect of:

(i) the derecognition of effective interest income on investment in the unlisted note due from LeRoi of HK$10,019,000; and

(ii) the recognition of interest income of HK$15,200,000 from an unsecured long-term loan of HK$190,000,000, which carries interest at 8% per annum, proposed to be offered by the Company for the sole purpose of the early full redemption of the unlisted note. The loan would be for 4 years from the drawdown date with interest to be paid half yearly in arrears on 30 June and 31 December. For the purpose of preparing the unaudited pro forma financial information, the loan of HK$190,000,000, solely for the redemption of the unlisted note, is assumed to be approximate to fair value on initial recognition.

b. To reverse the change in fair value of options embedded in the unlisted note for the year ended 31 March 2009.

c. The recognition of loss on early redemption of the unlisted note by LeRoi with the loan amounted to HK$190,000,000 advanced to LeRoi by the Company as follows:

	HK$'000
Redemption	190,000
Less:	
Investment in the unlisted note as at 1 April 2008	(168,363)
Derivative financial instruments as at 1 April 2008	(288,475)
Loss on redemption of the unlisted note	(266,838)

d. On acquisition of 1,463,835,000 shares of LeRoi from the independent LeRoi shareholders, the equity interest in LeRoi would be increased from 29.97% to 49%. The adjustment reflects the increase in share of result of LeRoi for the increase in equity interest of 19.03%.

Details of share of result of LeRoi are as follows:

	HK$'000
Loss for the year ended 31 March 2009 for LeRoi	206,041
Adjustments as if LeRoi as an associate completed on 1 April 2008:	
- Effective interest expenses	(10,019)
- Fair value changes on derivative financial instruments	(866)
- Interest expenses on HK$190 million loan	15,200
- Deferred tax credit on convertible note	712
- Loss on redemption (Note)	25,079
Adjusted loss for the year of LeRoi	236,147
Share of result of LeRoi at 49%	115,712
Less: Share of result of LeRoi at 29.97% for the year ended 31 March 2009	(62,085)
Pro forma adjustment	53,627

Note: Loss on early redemption represented the HK$190,000,000 loan advance from the Company less carrying amount of the loan portion of the convertible note of HK$168,355,000 and the fair value of the early redemption option derivative of LeRoi of HK$3,434,000* as at 1 April 2008 upon LeRoi exercised this early redemption option.*

* *as stated in the audited consolidated balance sheet for the year ended 31 March 2009 of LeRoi and its subsidiaries set out in Appendix II to this circular.*

e. The adjustment represents the effect of increase in share of net assets in LeRoi and the goodwill arising on acquisition of 1,463,835,000 shares of LeRoi from the independent LeRoi shareholders.

(i) The increase in share of net assets in LeRoi as follws:

	HK$'000
Net assets of LeRoi as at 31 March 2009	486,835
Adjustments as if LeRoi as an associate completed on 31 March 2009:	
- Convertible note	172,674
- HK$190 million loan advance from the Company	(190,000)
- Deferred tax liabilities arising from convertible note	2,859
- Derivative financial instruments	(2,568)
Adjusted net assets of LeRoi	469,800
Share of net assets of LeRoi at 49%	230,202
Less: Share of net asset of LeRoi at 29.97% as at 31 March 2009	(145,406)
Adjusted consolidated net assets of LeRoi attributable to 19.03% additional interest acquired	84,796

(ii) Goodwill arising as follows:

3,659,587,500 new shares would be issued at a deemed issue price of HK$0.129 each by the Company (the "Wai Yuen Tong Shares") upon the completion of Partial Share Exchange Offer. The fair value of the Wai Yuen Tong Shares is assumed to be HK$0.129, the market price of the Company at 31 March 2009. Goodwill would be arising from the excess of the cost of the acquisition of 1,463,835,000 shares of LeRoi (i.e. the fair value of Wai Yuen Tong Shares and the estimated transaction costs) over the adjusted consolidated net assets of LeRoi as at 31 March 2009 attributable to the additional interest acquired. For the purpose of preparing the unaudited pro forma consolidated balance sheet, the carrying amount of the consolidated net assets of LeRoi as at 31 March 2009 are assumed to be approximate to the fair values of the assets, liabilities and contingent liabilities of LeRoi on completion of the Partial Share Exchange Offer.

	HK$'000
Consideration - issue of new shares	472,087
Add: Transaction costs	3,670
Less: Adjusted net assets acquired (Note (e)(i))	(84,796)
Goodwill	390,961

Since the actual fair values of the assets, liabilities and contingent liabilities of LeRoi and the fair value of the Wai Yuen Tong Shares on completion of the Partial Share Exchange Offer may be different at the date of completion of the Partial Share Exchange Offer, the goodwill may be different from the estimated amount shown in this unaudited pro forma information.

f. As at 31 March 2009, the unlisted note issued by LeRoi with principal amount of HK$190,000,000 at a coupon rate of 3% per annum was held by the Company. Investment in the unlisted note of HK$172,682,000 represented the loan portion of the unlisted note and the derivative financial instruments of HK$35,648,000 represented fair value of the derivatives embedded in the unlisted note. The Company proposed to offer LeRoi an unsecured long-term loan of HK$190,000,000, which carries interest at 8% per annum, solely for the redemption of the unlisted note. The adjustments reflect (i) the derecognition of the unlisted note and derivative financial instruments; and (ii) the recognition of the HK$190,000,000 unsecured long-term loan.

To recognise the loss on early full redemption of the unlisted note as follows:

	HK$'000
Investment in the unlisted note	172,682
Derivative financial instruments	35,648
	208,330
Less: Redemption	(190,000)
Loss on early full redemption	18,330

g. The recognition of estimated transaction costs, representing mainly service fees paid to lawyers, financial advisors and certified public accountants, of the Partial Share Exchange Offer and the Transactions of approximately HK$3,670,000.

h. To record the issue of 3,659,587,500 new shares at a deemed issue price of HK$0.129 each by the Company upon the completion of Partial Share Exchange Offer, giving rise to an increase in share capital by HK$36,596,000 at par value of HK$0.01 each per ordinary share and an increase in share premium of HK$435,491,000. Upon completion of the Partial Share Exchange Offer, the fair value of the Wai Yuen Tong Shares issued as at that date will be used to determine the cost of the Partial Share Exchange Offer.

i. The adjustment reflects the effect on loss before taxation as if (a), (b) and (c) as stated in section B(i) have been completed at the commencement of the period reported on.

j. The adjustment represents the net effect of:

   (i) the recognition of interest income of HK$11,400,000 from the unsecured long-term loan of HK$190,000,000, which carries interest at 8% per annum, proposed to be offered by the Company for the sole purpose of the early full redemption of the unlisted note for the period from 1 April 2008 to 31 December 2008. Interest is to be received in June and December of each year; and

   (ii) the elimination of interest received on the unlisted note issued by LeRoi and held by the Company of HK$5,700,000.

D. **Scenario 2: Unaudited pro forma financial information of the Enlarged Group with LeRoi as a subsidiary is prepared as if the Partial Share Exchange Offer has been completed on 31 March 2009 for the pro forma consolidated balance sheet and at the commencement of the year ended 31 March 2009 for the pro forma consolidated income statement and pro forma consolidated cash flow statement to illustrate the effect of the completion of the Partial Share Exchange Offer.**

1. **Unaudited pro forma consolidated income statement of the Enlarged Group**

The unaudited pro forma consolidated income statement of the Enlarged Group with LeRoi as a subsidiary for the year ended 31 March 2009 is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and the audited consolidated income statement of LeRoi and its subsidiaries (the "LeRoi Group") for the year ended 31 March 2009 as extracted from the annual report in Appendix II to this circular, and adjusted to reflect the effect as if the Partial Share Exchange Offer has been completed on 1 April 2008.

	The Group for the year ended 31 March 2009	**LeRoi Group for the year ended 31 March 2009**	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Continuing operations					
Revenue	496,151	61,822			557,973
Cost of sales	(267,478)	(38,740)			(306,218)
Gross profit	228,673	23,082			251,755
Other income	16,602	5,483	(10,561)	a	11,524
Selling and distribution expenses	(153,494)	(16,976)			(170,470)
Administrative expenses	(97,788)	(33,774)	476	a	(131,086)
Finance costs	(6,036)	(10,493)	10,085	a	(6,444)
Change in fair value of options embedded in the unlisted note	(252,827)	—	252,827	b	—
Change in fair value of investments held-for-trading	(11,618)	(19,821)			(31,439)
Change in fair value on derivative financial instruments	—	477	866	b	1,343

	The Group for the year ended 31 March 2009	LeRoi Group for the year ended 31 March 2009	Pro forma adjustments		Pro forma amount
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Discount on acquisition of a subsidiary	691	—			691
Impairment losses of prepaid lease payments	—	(95,517)			(95,517)
Impairment losses recognised in respect of goodwill	(10,382)	(1,893)			(12,275)
Impairment losses in respect of interest in an associate	—	(44,183)			(44,183)
Loss on deemed disposal of interest in an associate	—	(9,127)			(9,127)
Share of results of associates	(62,221)	16,559	62,085	c	16,423
Gain on disposal of a subsidiary	2,636	—			2,636
Loss before taxation	(345,764)	(186,183)			(216,169)
Income tax (expense) credit	(178)	230	(712)	b	(660)
Loss for the year from continuing operations	(345,942)	(185,953)			(216,829)
Discontinued operations					
Loss for the year from discontinued operations	—	(20,088)			(20,088)
Loss for the year	(345,942)	(206,041)			(236,917)
Attributable to:					
Equity holders of the Company	(345,906)	(206,041)	420,147		(131,800)
Minority interests	(36)	—	(105,081)	d	(105,117)
	(345,942)	(206,041)			(236,917)

2. **Unaudited pro forma consolidated balance sheet of the Enlarged Group with LeRoi as a subsidiary**

The unaudited pro forma consolidated balance sheet of the Enlarged Group with LeRoi as a subsidiary as at 31 March 2009 is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and the audited consolidated balance sheet of the LeRoi Group as at 31 March 2009 as extracted from the annual report in Appendix II to this circular, and adjusted to reflect the effect as if the Partial Share Exchange Offer has been completed on 31 March 2009.

	The Group at 31 March 2009	**LeRoi Group at 31 March 2009**	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Non-current assets					
Property, plant and equipment	58,406	2,125			60,531
Prepaid lease payments	93,562	451,228			544,790
Property under development	—	20,295			20,295
Goodwill	15,335	—	382,614	e	397,949
Interest in associates	148,058	126,239	(145,406)	c	128,891
Derivative financial instruments	35,648	—	(35,648)	f	—
Other intangible assets	3,749	—			3,749
Investment in the unlisted note	172,682	—	(172,682)	f	—
Unlisted debt securities	—	4,110			4,110
Deferred tax assets	378	—			378
	527,818	603,997			1,160,693
Current assets					
Inventories	80,751	69			80,820
Trade and other receivables	75,393	9,521			84,914
Prepaid lease payments	2,774	—			2,774
Derivative financial instruments	—	2,568	(2,568)	f	—
Amounts due from associates	3,385	—	(1,405)	g	1,980
Tax recoverable	2,014	—			2,014
Investments held-for-trading	3,889	16,651			20,540
Bank balances and cash	57,096	78,749	(3,670)	h	132,175
	225,302	107,558			325,217
Current liabilities					
Trade and other payables	60,214	7,879	(1,405)	g	66,688
Tax payable	1,360	198			1,558

	The Group at 31 March 2009	LeRoi Group at 31 March 2009	Pro forma adjustments	Notes	Pro forma amount
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Amounts due to related companies	—	1,110			1,110
Obligations under finance leases	9	—			9
Bank borrowings	16,202	—			16,202
Deferred franchise income	98	—			98
Loan from a shareholder	25,000	—			25,000
Advances from minority shareholders of a subsidiary	3,396	—			3,396
	106,279	9,187			114,061
Net current assets	119,023	98,371			211,156
Total assets less current liabilities	646,841	702,368			1,371,849
Non-current liabilities					
Bank borrowings	47,182	—			47,182
Loan from a related party	—	40,000			40,000
Convertible note	—	172,674	(172,674)	f	—
Deferred tax liabilities	110	2,859	(2,859)	f	110
	47,292	215,533			87,292
Net assets	599,549	486,835			1,284,557
Capital and reserves					
Share capital	20,104	76,915	(76,915)	i	56,700
			36,596	j	
Reserves	572,632	409,920	435,491	j	972,758
			(409,920)	i	
			(35,365)	f	
Equity attributable to equity holders of the Company	592,736	486,835			1,029,458
Minority interests	6,813	—	248,286	d	255,099
Total equity	599,549	486,835			1,284,557

3. **Unaudited pro forma consolidated cash flow statement of the Enlarged Group with LeRoi as a subsidiary**

The unaudited pro forma consolidated cash flow statement of the Enlarged Group with LeRoi as a subsidiary for the year ended 31 March 2009 is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2009 as extracted from the annual report set out in Appendix I to this circular and the audited consolidated cash flow statement of the LeRoi Group for the year ended 31 March 2009 as extracted from the annual report in Appendix II to this circular, and adjusted to reflect the effect as if the Partial Share Exchange Offer has been completed on 1 April 2008.

	The Group for the year ended 31 March 2009	**LeRoi Group for the year ended 31 March 2009**	**Pro forma adjustments**		**Pro forma amount**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
OPERATING ACTIVITIES					
Loss before taxation	(345,764)	(206,601)	315,778	k	(236,587)
Adjustments for:					
Depreciation of property, plant and equipment	16,987	726			17,713
Change in fair value of options embedded in the unlisted note	252,827	—	(252,827)	b	—
Change in fair value of derivative financial instruments	—	(477)	(866)	b	(1,343)
Change in fair value of investment properties	—	23,044			23,044
Finance costs	6,036	11,322	(10,085)	a	7,273
(Gain) loss on disposal of a subsidiary	(2,636)	2,064			(572)
Discount on acquisition of a subsidiary	(691)	—			(691)
Reversal of allowance for obsolete inventories	(1,228)	—			(1,228)
Impairment losses recognised in respect of goodwill	10,382	1,893			12,275
Impairment losses of prepaid lease payments	—	95,517			95,517
Impairment losses in respect of interest in an associate	—	44,183			44,183
Amortisation of prepaid lease payments	2,774	—			2,774
Amortisation of other intangible assets	930	—			930
Interest income	(10,712)	(3,689)	10,085	a	(4,316)

	The Group for the year ended 31 March 2009	LeRoi Group for the year ended 31 March 2009	Pro forma adjustments		Pro forma amount
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Dividends from investments held-for trading	(650)	—			(650)
Loss (gain) on disposal of property, plant and equipment	58	(83)			(25)
Change in fair value of investments held-for-trading	9,579	19,821			29,400
Recognition (reversal) of allowance for trade and other receivables	8,915	(813)			8,102
Share-based payment expenses	813	—			813
Share of results of associates	62,221	(16,559)	(62,085)	c	(16,423)
Loss on deemed disposal of partial interest in an associate	—	9,127			9,127
Operating cash flows before movements in working capital	9,841	(20,525)			(10,684)
Decrease in inventories	22,185	12			22,197
(Increase) decrease in trade and other receivables	(336)	1,701			1,365
Decrease in amounts due from associates	1,895	—			1,895
Decrease in investments held-for-trading	2,344	—			2,344
(Decrease) increase in trade and other payables	(15,836)	274			(15,562)
Decrease in amounts due to related companies	—	(108)			(108)
Decrease in deferred franchise income	(15)	—			(15)
Cash generated from (used in) operations	20,078	(18,646)			1,432
Interest received	482	—			482
Interest paid	—	(6,174)	5,700	l	(474)
Hong Kong Profits Tax paid	(2,984)	(294)			(3,278)
Overseas taxation paid	(712)	—			(712)

	The Group for the year ended 31 March 2009	LeRoi Group for the year ended 31 March 2009	Pro forma adjustments		Pro forma amount
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
NET CASH FROM (USED IN) OPERATING ACTIVITIES	16,864	(25,114)			(2,550)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(17,060)	(1,134)			(18,194)
Property under development paid	—	(9,292)			(9,292)
Purchase of prepaid lease payments	—	(1,480)			(1,480)
Purchase of investment properties	—	(51,560)			(51,560)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,802)	(186,746)	386,484	m	197,936
Purchase of trademarks	(75)				(75)
Interest received	5,971	3,689	(5,700)	l	3,960
Proceeds from disposal of unlisted notes	3,889	—			3,889
Disposal of a subsidiary	1,998	61,832			63,830
Decrease in pledged deposits	1,599	—			1,599
Dividends received from investments held-for-trading	650	(15,186)			(14,536)
Capital contribution from a minority shareholder of a subsidiary	464	—			464
Proceeds from disposal of property, plant and equipment	125	331			456
Investment in an associate	—	(162,990)			(162,990)
NET CASH USED IN INVESTING ACTIVITIES	(4,241)	(362,536)			14,007

	The Group for the year ended 31 March 2009 HK$'000 (Audited)	LeRoi Group for the year ended 31 March 2009 HK$'000 (Audited)	Pro forma adjustments HK$'000 (Unaudited)	Notes	Pro forma amount HK$'000 (Unaudited)
FINANCING ACTIVITIES					
Redemption of convertible loan note	(145,275)	—			(145,275)
Repayments of bank borrowings	(45,455)	33,391			(12,064)
Interest paid	(2,952)	—			(2,952)
Repayments of obligations under finance leases	(13)	—			(13)
New bank loans raised	60,401	—			60,401
Proceeds from issue of shares	55,276				55,276
Share issue expenses	(1,681)	—			(1,681)
Loan from a shareholder	35,000	10,000			45,000
Repyament of loan from a shareholder	(10,000)	(10,000)			(20,000)
Advance from minority shareholders of a subsidiary	233				233
Loan from a related company	—	40,000			40,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(54,466)	73,391			18,925
NET DECREASE IN CASH AND CASH EQUIVALENTS	(41,843)	(314,259)			30,382
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	100,019	390,154	(390,154)	n	100,019
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,080)	2,854			1,774
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	57,096	78,749			132,175

4. **Notes to the unaudited pro forma financial information of the Enlarged Group with LeRoi as a subsidiary:**

a. The adjustment reflects the elimination of:

(i) effective interest income on investment in the unlisted note due from LeRoi of HK$10,019,000 and interest income on loan to LeRoi by the Company during the year of HK$66,000 totaling HK$10,085,000. The loan to LeRoi was repaid during the year ended 31 March 2009; and

(ii) rental income received from LeRoi of HK$476,000 by the sub-lease of office premises.

b. The adjustments represent eliminations of (i) change in fair value of options embedded in the unlisted note due from LeRoi; (ii) change in fair value on derivative financial instruments embedded in convertible note due to the Company; and (iii) deferred taxation credit to consolidated income statement arising from the convertible note.

c. The adjustments represent the elimination of share of results of LeRoi and interest in LeRoi as LeRoi is considered as a subsidiary of the Enlarged Group on completion of the Partial Share Exchange Offer.

d. Recording of minority interest in respect of 51% share of results/net assets of LeRoi after the completion of the Partial Share Exchange Offer.

e. 3,659,587,500 new shares would be issued at a deemed issue price of HK$0.129 each by the Company (the "Wai Yuen Tong Shares") upon the completion of the Partial Share Exchange Offer. The fair value of the Wai Yuen Tong Shares is assumed to be HK$0.129, the market price of the Company at 31 March 2009. The adjustment reflects the excess of the cost of the acquisition of 1,463,835,000 shares of the LeRoi Group (i.e. the fair value of Wai Yuen Tong Shares and the estimated transaction costs) over the consolidated net assets of the LeRoi Group as at 31 March 2009 attributable to the additional interest acquired. For the purpose of preparing the unaudited pro forma consolidated balance sheet, the carrying amount of the consolidated net assets of the LeRoi Group as at 31 March 2009 are assumed to be approximate to the fair values of the assets, liabilities and contingent liabilities of the LeRoi Group on completion of Partial Share Exchange Offer, and there is no adjustment to those fair values relating to previously held interest of 29.97%.

Details of goodwill arising as follows:

	HK$'000
Consideration - issue of Wai Yuen Tong Shares	472,087
Add: Transaction costs	3,670
Add: Interest in LeRoi	145,406
	621,164
Less: 49% consolidated net assets of the LeRoi Group as at 31 March 2009	(238,549)
Goodwill	382,614

Since the actual fair values of the assets, liabilities and contingent liabilities of the LeRoi Group and the fair value of the Wai Yuen Tong Shares on completion of the Acquisition may be different at the date of completion of the Partial Share Exchange Offer, the goodwill may be different from the estimated amount shown in this unaudited pro forma information.

f. The adjustments represent eliminations of (i) derivative financial instruments embedded in the unlisted note issued by LeRoi and held by the Company; (ii) loan portion of the unlisted note and the liability portion of the convertible note; and (iii) deferred tax liabilities arising from the convertible note.

g. Elimination of interest receivable on convertible note by the Company from LeRoi.

h. The adjustment represents the recognition of estimated transaction costs, representing mainly service fees paid to lawyers, financial advisors and certified public accountants, of the Partial Share Exchange Offer of approximately HK$3,670,000.

i. The adjustments represent the elimination of share capital and pre-acquisition reserves of LeRoi.

j. To record the issue of 3,659,587,500 new shares at a deemed issue price of HK$0.129 each by the Company upon the Partial Share Exchange Offer, giving rise to an increase in share capital by HK$36,596,000 at par value of HK$0.01 each per ordinary share and an increase in share premium of HK$435,491,000. Upon completion of the Acquisition, the fair value of the Wai Yuen Tong Shares issued as at that date will be used to determine the cost of the Partial Share Exchange Offer.

k. The adjustment reflects the effect on loss before taxation as if the Partial Share Exchange Offer had been completed at the commencement of the period reported on.

l. The adjustment represents the elimination of interest received on the unlisted note issued by LeRoi and held by the Company.

m. The adjustments represents the net effect of:

(i) the cash inflow resulting from the acquisition of additional equity interest in LeRoi of HK$390,154,000; and

(ii) the estimated transaction costs, representing mainly service fees paid to lawyers, financial advisors and certified public accountants, of the Partial Share Exchange Offer of approximately HK$3,670,000.

n. the adjustment represents the elimination of bank balances and cash of LeRoi.

The following is the text of a letter, summary of values and valuation certificate, prepared for inclusion in this circular, received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as of 31 July 2009 of the properties of LeRoi Holdings Limited.

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16 September 2009

Dear Sirs

RE: 1) A PARCEL OF LAND, EAST OF EXTENSION OF GANDONG AVENUE, FUZHOU, JIANGXI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

2) A PARCEL OF LAND, NORTH OF NATIONAL HIGHWAY NO. 107, AILINGKAN VILLAGE, DALINGSHAN TOWN, DONGGUAN, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

In accordance with your instructions for us to value the properties held by LeRoi Holdings Limited ("LeRoi") and its subsidiaries (hereinafter together referred to as "LeRoi Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 July 2009 for inclusion in a circular issued by Wai Yuen Tong Medicine Holdings Limited.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller on an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint venture, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal land use fee have been granted and that all requisite land premium payable has been fully settled. We have also assumed that the owners of the properties have enforceable titles to their properties and have free and uninterrupted rights to use, occupy or assign the properties for the respective whole of the unexpired terms as granted.

In the course of our valuation, we have valued the properties by using direct comparison approach by making reference to the comparable market transactions as available in the market assuming sale with the benefit of vacant possession.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by LeRoi and its PRC legal advisers, Guang Dong Han Cheng Law Firm, regarding the titles to the properties.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, ownership, identification of the properties, site area and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made. We have had no reason to doubt the truth and accuracy of the information provided to us by LeRoi which is material to our valuation. We have also advised by LeRoi that no material facts have been omitted from the information provided.

We have inspected the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by LeRoi, the potential tax liabilities which may arise from the sale of the properties include:

(a) profit tax on the profit from the sale of the properties at rates of 25% for the properties in the PRC; and

(b) land value appreciation tax on property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the ranger from not more than 50% to more than 200%.

As at the time of this circular, LeRoi has confirmed that it has no intention to sell any of the properties. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote. In the course of our valuation, we have neither verified nor taken into account such tax liability.

In valuing the properties, we have complied with the requirements set out in Chapter 5, Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers and Share Repurchase issued by the Securities and Futures Commission and, The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc, FRICS, FHKIS, MCIArb, RPS (GP), has been a qualified valuer and has about 25 years' experience in the valuation of properties in Hong Kong and has about 20 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

No.	Property	Capital value in existing state as at 31 July 2009	Interest attributable to LeRoi Group	Capital value attributable to LeRoi Group as at 31 July 2009
Properties held by LeRoi Group for future development in the PRC				
1.	A parcel of land, East of extension of Gandong Avenue, Fuzhou, Jiangxi Province, PRC	HK$304,900,000	100%	HK$304,900,000
2.	A parcel of land, North of National Highway No. 107, Ailingkan Village, Dalingshan Town, Dongguan, Guangdong Province, PRC	HK$163,000,000	100%	HK$163,000,000
	Grand total:	**HK$467,900,000**		**HK$467,900,000**

VALUATION CERTIFICATE

Properties held by LeRoi Group for future development

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2009
1.	A parcel of land, East of Extension of Gandong Avenue, Fuzhou, Jiangxi Province, PRC	The property comprises a parcel of formed vacant land with a site area of approximately 219,540.00 sq.m. (2,363,129 sq.ft.). The land use rights of the property were granted for a term expiring on 2 January 2078 for residential (commercial) uses.	The property is currently a cleared and levelled site.	HK$304,900,000 (100% interest attributable to LeRoi Group: HK$304,900,000)

Notes:

1. Pursuant to the Contract for Grant of State-owned Land Use Rights entered into between State Land Resources Bureau of Fuzhou (the "Grantor") and Fuzhou Wangon Property Development Company Limited (撫州宏安房地產開發有限公司) ("Fuzhou Wangon") on 3 January 2008, the Grantor agreed to grant the land use rights of a parcel of land (Lot No. P(2007)23) to Fuzhou Wangon at a consideration of RMB302,500,000.

2. Pursuant to two Construction Project Planning Condition Letters Nos. Fu Gui Yong Di Tiao Jian [2007] 45 and 47 issued by Fuzhou Urban Planning Bureau on 27 June 2007 and 2 July 2007 respectively, the salient planning conditions of the property are, inter alia, summarized as follow:

Planning Condition Letter	Fu Gui Yong Di Tiao Jian [2007] No. 45	Fu Gui Yong Di Tiao Jian [2007] No. 47
Site area:	197,085.18 sq.m.	22,451.50 sq.m.
Usage:	Residential (commercial)	Commercial (residential)
Plot ratio:	2.4	2.0
Construction density:	22%	30%
Green ratio:	35%	35%

3. Pursuant to the State-owned Land Use Right Certificate Fu Gou Yong (2008) No. 050004 issued in 2008, the land use rights of a parcel of land with site area of 219,540.00 sq.m. were granted to Fuzhou Wangon for a term expiring on 2 January 2078 for residential (commercial) uses.

4. Pursuant to the Planning Permit for Construction Land [2008] Fu Cheng Gui Di Zi No. 05 issued on 23 January 2008, Fuzhou Wangon is permitted to proceed the procedure of grant of land use rights of the property with a site area of 329.31 mu.

5. The market value of the property as at 31 March 2009 was valued by Savills Valuation and Professional Services Limited at HK$298,900,000.

6. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

   (i) the land premium of the property has been fully paid; and

   (ii) Fuzhou Wangon is entitled to transfer, lease or mortgage the land use rights of property.

VALUATION CERTIFICATE

Properties held by LeRoi Group for future development

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2009
2.	A parcel of land, North of National Highway No. 107, Ailingkan Village, Dalingshan Town, Dongguan, Guangdong Province, PRC	The property comprises a parcel of formed vacant land with a site area of approximately 63,867.60 sq.m. (687,471 sq.ft.). The land use rights of the property have been granted for a term of 70 years expiring on 18 August 2077 for commercial and residential uses.	The property is currently a cleared and levelled site.	HK$163,000,000 (100% interest attributable to LeRoi Group: HK$163,000,000)

Notes:

1. Pursuant to the Contract for Grant of State-owned Land Use Rights No. GF-2000-2601 entered into between State Land Resources Bureau of Dongguan (the "Grantor") and Golden Maker (Dongguan) Property Development Company Limited ("Golden Maker") on 18 July 2007, the Grantor agreed to grant the land use rights of a parcel of land (Lot No. 2007G023) to Golden Maker for a term of 70 years for commercial and residential uses commencing from the date of delivery of the land to Golden Maker at a consideration of RMB134,000,000.

2. Pursuant to the State-owned Land Use Right Certificate No. Dong Fu Guo Yong (2008) Di Te 115 issued by the People's Government of Dongguan on 14 March 2008, the land use rights of a parcel of land with a site area of 63,867.60 sq.m. had been granted to Golden Maker (Dongguan) Property Development Company Limited ("Golden Maker") for a term expiring on 18 August 2077 for commercial and residential uses.

3. Pursuant to the Construction Land Planning Permit No. Di Zi Di 2008-15 10002 issued by the City Construction and Planning Bureau of Dongguan on 24 April 2008, the land of the property with a site area of 63,867.628 sq.m. is permitted for use for construction with a construction scale with a total gross floor area of 114,962 sq.m.

4. The market value of the property as at 31 March 2009 was valued by Savills Valuation and Professional Services Limited at HK$159,000,000.

5. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

   (i) the land premium of the property has been fully paid; and

   (ii) Golden Marker is entitled to transfer, lease or mortgage the land use rights of the property.

The following is the text of the letter, summary of values and valuation certificate prepared for inclusion in this circular, received from Savills Valuation and Professional Services Limited, an independent property valuer, , in connection with their valuations as of 31 July 2009 of the properties of Wai Yuen Tong Medicine Holdings Limited.

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5th Floor
Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

16 September 2009

Dear Sirs

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

In accordance with your instructions for us to value various properties held by Wai Yuen Tong Medicine Holdings Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") located in Hong Kong and the PRC, we confirm that we have carried out inspection, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of these properties as at 31 July 2009 (the "Valuation Date") for inclusion in a circular issued by Wai Yuen Tong Medicine Holdings Limited.

Our valuation of each of the properties is our opinion of the market value of the property concerned which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the property in the PRC, unless otherwise stated, we have assumed that transferrable land use rights in respect of the property for a specific term at nominal land use fee have been granted and that all requisite land premium payable has been fully settled. We have also assumed that the owner of the property has enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted.

In the course of our valuation of the properties in Group I which are held and occupied by the Group in Hong Kong, we have valued the properties by using direct comparison approach by making reference to the comparable market transactions as available in the market assuming sale with the benefit of vacant possession.

For the property in Group II, which is held and occupied by the Group in the PRC, due to the fact that specific uses for the buildings of this property have been restricted, there are no readily identifiable market comparable, and the buildings and structures of the property cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of their depreciated replacement cost. We would define “depreciated replacement cost” for these purposes to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings, including fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

We have not been provided with any title documents relating to the properties in Hong Kong but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

For the property situated in the PRC, we have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and its legal advisers, Hu Nan Gao Tian Law Firm, regarding the title to the property.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, ownership, identification of the properties, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuation. We have also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior of the properties and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include:

(a) profit tax on the profit from the sale of the properties at rates of 16.5% for properties in Hong Kong and 25% for the property in the PRC; and

(b) land value appreciation tax on property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the range from not more than 50% to more than 200%.

As at the time of this circular, the Group, has confirmed that it has no intention to sell any of the properties in Hong Kong and the PRC. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote. In the course of our valuation, we have neither verified nor taken into account such tax liability.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers and Share Repurchase issued by the Securities and Futures Commission and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all property values are denominated in Hong Kong Dollars.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note:

Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has been a qualified valuer and has about 25 years experience in the valuation of properties in Hong Kong and about 20 years experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

No.	Property	Capital value in existing state as at 31 July 2009	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2009
Group I — Properties held and occupied by the Group in Hong Kong				
1.	Factory on 11th Floor, Portion of Roof and Car Parking Space No. 7 on Ground Floor, Well Town Industrial Building (Formerly Yau Tong Industrial Building), 13 Ko Fai Road, Yau Tong, Kowloon, Hong Kong	HK$15,000,000	100%	HK$15,000,000
2.	Ground Floor and Cockloft, 581 and 581A Nathan Road, Mong Kok, Kowloon, Hong Kong	HK$130,000,000	100%	HK$130,000,000
	Sub-total :	HK$145,000,000		HK$145,000,000
Group II — Property held and occupied by the Group in the PRC				
3.	An industrial complex, Tongzibo Road, Yuelu District, Changsha, Hunan Province, PRC	No commercial value		No commercial value
	Sub-total :	No commercial value		No commercial value
	Grand total :	HK$145,000,000		HK$145,000,000

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2009
1.	Factory on 11th Floor, Portion of Roof and Car Parking Space No. 7 on Ground Floor, Well Town Industrial Building (Formerly Yau Tong Industrial Building), 13 Ko Fai Road, Yau Tong, Kowloon, Hong Kong 24/480th equal and undivided shares of and in Yau Tong Inland Lot No. 7.	Well Town Industrial Building is a 12-storey industrial building with ancillary car parking facilities completed in 1976. The property comprises a whole-floor industrial unit on the 11th Floor of the building with a saleable area of approximately 1,820.88 sq m (19,600 sq ft) together with a portion of the roof of 1,806.95 sq m (19,450 sq ft) immediately above. The property also comprises a covered car parking space on the Ground Floor. Yau Tong Inland Lot No. 7 is held under Conditions of Sale No. 9525 for a term expiring on 30 June 2047 at an annual Government Rent at 3% of the rateable value for the time being of the lot.	The property is occupied by the Group.	HK$15,000,000 (100% interest attributable to the Group)

Notes:

1. The registered owner of the property is Billion Good Investment Limited.

2. The property lies within an area zoned "Commercial" under Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2009
2.	Ground Floor and Cockloft, 581 and 581A Nathan Road, Mong Kok, Kowloon, Hong Kong 10/20th equal and undivided shares of and in The Remaining Portion of Kowloon Inland Lot No. 9099.	"581 and 581A Nathan Road" comprises a 6-storey (excluding cockloft) commercial / residential composite building completed in about 1970. The property comprise a shop unit on the Ground Floor of the building with a saleable area of approximately 166.11 sq m (1,788 sq ft) and a cockloft of approximately 110.46 sq m (1,189 sq ft). The property also comprises a yard of approximately 27.68 sq m (298 sq ft) on the Ground Floor. Kowloon Inland Lot No. 9099 is held under Conditions of Re-Grant No. 8458 for a term of 150 years commencing from 25 December 1887. The annual Government Rent payable of the subject section of the Lot is HK$78.	The property is occupied by the Group.	HK$130,000,000 (100% interest attributable to the Group)

Notes:

1. The registered owner of the property is Asia Brighter Investment Limited.

2. The property is subject to a mortgage, an assignment of rentals and a deed of variation and further charge all in favour of The Hongkong and Shanghai Banking Corporation Limited.

3. According to our recent land search record, the property is subject to a sale and purchase agreement in favour of Regal Wealthy Management Limited. Pursuant to an agreement dated 9 September 2009 entered into between Regal Wealthy Management Limited and Asia Brighter Investment Limited, the sale and purchase agreement was cancelled.

4. The property lies within an area zoned "Commercial" under Mong Kok Outline Zoning Plan.

VALUATION CERTIFICATE

Group II — Property held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2009
3.	An industrial complex, Tongzibo Road, Yuelu District, Changsha, Hunan Province, PRC	The property comprises an industrial complex erected upon a parcel of land with a site area of approximately 17,997.80 sq m (193,723 sq ft) completed in 1995 and 2002. The property comprises four 2 to 3-storey industrial buildings with a total gross floor area of approximately 9,606.12 sq m (103,400 sq ft) and various ancillary facilities. In addition, there are some 2-storey temporary structures with a gross floor area of approximately 1,700.00 sq m erected on the site. The land use rights of the property is held under administrative allocation for industrial uses.	The property is currently occupied by the Group as workshop, ancillary office and ancillary facilities. The temporary structures are leased out under various tenancies with a total annual rent of approximately RMB308,540.	No commercial value

Notes:

1. Pursuant to State-owned Land Use Rights Certificate Yue Guo Yong (2001) Zi Di No. 419001-4 dated 28 November 2001, the land use rights of the land of the property with a site area of 17,997.80 sq m is held by Hunan Xiangya Pharmaceutical Co., Ltd. (湖南湘雅製藥有限公司) (“Hunan Xiangya”) under administrative allocation for an unspecified term for industrial uses.

2. Pursuant to four Building Ownership Certificates Nos. Chang Fang Quan Qi Ta Zi Di 000210 to 000212 and Chang Fang Quan Zheng Yue Lu Zi Di 00293798, the building ownership of four buildings with total gross floor area of 9,606.12 sq m is vested in Hunan Xiangya.

3. We have been provided with a legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

   (i) the land use rights of the property is held by Hunan Xiangya under administration allocation;

   (ii) Hunan Xiangya is entitled to use or mortgage the land use rights;

   (iii) the building ownership of four buildings with a total gross floor area of approximately 9,606.12 sq m is held by Hunan Xiangya;

   (iv) Hunan Xiangya is entitled to use, lease or mortgage the buildings with a total gross floor area of approximately 9,606.12 sq m;

   (v) portion of the buildings with a total gross floor area of 7,604.41 sq m are subject to mortgage; and

(vi) the structures with a gross floor area of approximately 1,700.00 sq m are temporary in nature. Hunan Xiangya holds the property rights of such structures as they were approved by the relevant local authority. It is also legal to lease out such temporary structures by Hunan Xiangya.

4. We have assigned no commercial value to the property as it is not transferable. For indicative purpose, the depreciated replacement cost of the property (excluding the land) as at the valuation date was RMB16,900,000.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE WYT GROUP

FOR THE YEAR ENDED 31 MARCH 2009

Results

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

Dividends

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

Business Review

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

Chinese Pharmaceutical Products

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

Western Pharmaceutical Products

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

Chinese Health Food Products

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

Investment in LeRoi

The WYT Group has diversified its investment portfolio by making an investment in LeRoi, the shares of which are listed on the main board of the Stock Exchange, which was engaged in the sale of fresh pork meat and related products, property investment and property development in Hong Kong and the PRC during the year ended 31 March 2009. The WYT Group also subscribed the Convertible Bonds with a principal amount of HK$190.0 million which is convertible into 1,583,333,333 LeRoi Shares at an initial conversion price of HK$0.12 per LeRoi Share (subject to adjustment) in 2007. As at 31 March 2009, the Company held 29.97% equity interest in LeRoi.

Financial Review

Fund Raising, Liquidity, Capital Structure and Gearing

(1) *Top-up Placing*

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

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

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

(3) *Redemption of Convertible Loan Notes*

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

(4) *Loan Arrangements from the Substantial Shareholder*

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

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

Contingent Liabilities and Charge on Assets

As at 31 March 2009, there was no significant contingent liability (2008: Nil) and the outstanding bank borrowings of approximately HK$62.5 million were secured by certain assets of the WYT Group (2008: approximately HK$46.5 million).

Foreign Exchange

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

Employees

As at 31 March 2009, the WYT Group had 704 employees, of whom approximately 57% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$89.5 million. The WYT 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 WYT Group's salary and bonus system. The WYT Group also has a share option scheme for the benefit of its employees.

Future Plans and Prospects

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

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

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

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

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

Subsequent to completion of the Partial Share Exchange Offer and assuming the early redemption of the Convertible Bonds in full and the Loan Agreement do not proceed, the LeRoi Group would be deemed to be a subsidiary of the WYT Group.

The LeRoi Group endeavors to develop a diversified business portfolio in different locations. Looking forward, the LeRoi Group will maintain its steady focus on its existing business and yet remain strategically focused on future expansion. As a niche property developer in the PRC, the LeRoi Group expects that the LeRoi Group can benefit from the growing opportunities in this sector. As a strategic investor in an agricultural produce wholesaler in the PRC, the LeRoi Group expects to enjoy good and steady returns due to the expected growth in this market in the PRC. As a potential new investor in the forestry industry, the LeRoi Group is optimistic about the growth demand of timber market in the PRC and East Asia in the years ahead. Based on preliminary information available to the LeRoi Group, the estimated timber volume of the timber is approximately 10 million cubic metres with total land area of approximately 240,000 hectares, which is doubled than the total area of Hong Kong. Details were disclosed in the announcements of LeRoi dated 11 June 2009 and 13 July 2009 respectively. It is preliminarily expected that LeRoi can start to export timber around the end of 2010. Coupled with the expected steady growth in the regional economy in the PRC and East Asia, the LeRoi Group will strive to maintain a strategy that can ensure balanced and sustainable development of its business in order to deliver long-term benefits to its shareholders.

FOR THE YEAR ENDED 31 MARCH 2008

Results

For the financial year ended 31 March 2008, the WYT 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 did 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 WYT 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 WYT 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 WYT 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 immediately following the disposal of 15.8% interest in Hunan Xiangya. After completion of the aforesaid acquisition and disposal, the effective interest of the WYT 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 WYT 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.

Chinese Health Food Business

The WYT Group's business of manufacture of Chinese health food is operated through the production arm of 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

LeRoi, a company listed on the Stock Exchange, is engaged in the property investment and development in Hong Kong and the PRC and the sale of fresh pork meat and related products during the year ended 31 March 2008.

In July 2007, the WYT Group subscribed for an additional HK$7 million convertible notes issued by LeRoi and the WYT 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 WYT 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 LeRoi Shares at an initial conversion price of HK$0.12 per share (subject to adjustment). Completion took place on 5 October 2007. As at 31 March 2008, 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 WYT Group, the WYT 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 WYT 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 Shareholder base and strengthening the financial position of the Company for the expansion of the WYT 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 15 July 2008, being the date of the WYT Group's annual report for the year ended 31 March 2008, there was outstanding HK$48 million of the Notes.

Subsequent to the balance sheet date, on 7 May 2008, the WYT 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 WYT Group.

Contingent Liabilities and Charge on Assets

As at 31 March 2008, there was no significant contingent liability (2007: Nil) and the outstanding bank borrowings of approximately HK$46.5 million were secured by certain assets of the WYT Group (2007: approximately HK$53.3 million).

Foreign Exchange

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

Employees

As at 31 March 2008, the WYT 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 WYT 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 WYT Group's salary and bonus system. The WYT Group also makes available a share option scheme to its employees.

FOR THE YEAR ENDED 31 MARCH 2007

Results

The WYT Group recorded a turnover of HK$381.3 million (2006: HK$324.8 million) for the year ended 31 March 2007, representing an increase of 17.4% compared to that of last year. The WYT Group had turned around from a loss-making to a profit-making position, recording a profit attributable to equity holders for the fiscal year ended 31 March 2007 of HK$9.9 million (2006: loss of HK$98.4 million). Basic earnings per share was HK0.71 cents (2006: basic loss per share of HK12.0 cents).

Dividend

No interim dividend was paid during the year ended 31 March 2007 (2006: Nil). The Directors do not recommend the payment of final dividend in respect of the year (2006: Nil).

Business Review

Despite the intensifying competition in the retailing and distribution of Chinese herbal medicinal and healthcare products in the local market, plus the escalating pressure of rising rental and staff costs, the WYT Group launched its strategic plan of expansion and not only successfully secured its market position but deepened its market penetration in Hong Kong, mainland China and other overseas markets.

Chinese Pharmaceutical Products

Turnover for the year under review increased by 14.3% from HK$237.3 million to HK$271.2 million. The rising public awareness of health continued to bring a great deal of business momentum to the WYT Group's flagship operation of the sale and distribution of Chinese herbal medicinal and healthcare products under the brand of "Wai Yuen Tong". In the fourth quarter of 2006, the WYT Group launched a rebranding project with a series of marketing campaigns that were targeted to rejuvenate the brand of "Wai Yuen Tong". With the opening of a new retail store at Parkes Street, Jordan and adopting the new visual image in January 2007, the WYT Group successfully strengthened its local leading position as the largest Chinese herbal medicine retail chain, the largest Chinese medical practitioners network, and the provider of the best quality products. The award of GMP Certificate in early 2006 led the WYT Group's aggressive plan to extend its market coverage to South East Asia, Australia, Canada and the United States.

During the fiscal year, the WYT Group continued to expand its retail network by opening 6 retail outlets in Hong Kong and 13 retail outlets in the PRC, bringing the total of retail outlets to 55 and 25 respectively. 45 of the 55 retail outlets in Hong Kong provide healthcare consultation services by registered Chinese medical practitioners. The overall gross profit margin increased as the WYT Group improved our its sales channels and product mix. In view of escalating rentals, the WYT Group has started to focus on adjusting the location and size of its stores so as to lower the overall rental costs while keeping the loyal customers.

Western Pharmaceutical Products

Turnover in Western pharmaceutical and health products increased sharply by 69.8% from HK$44.3 million to HK$75.2 million. The increase was mainly attributable to the core product, cough syrup, selling in the PRC as the WYT Group successfully expanded its sales channels and network to over 18 provinces in the PRC. A series of rebranding activities launched in Hong Kong, together with the increased effort on sales channel management across dealers, key chains and drug stores, also brought growth in turnover.

The WYT Group will continue to concentrate its efforts on the sale of cough syrup and other products related to upper respiratory tract infections. Business opportunities will be sought to optimise the utilisation of the strong distribution network in Hong Kong and the PRC.

Chinese Health Food Business

The WYT Group's manufacturing of Chinese health food business was operated through its production arm CNT in Singapore. The revenue for the period under review was HK$33.1 million (2006: HK$41.3 million). During the fiscal year, CNT streamlined its operations, strengthened its purchasing function, and launched a wastage reduction program. A remarkable improvement in gross profit margin had resulted and the operations started to bring contribution to the WYT Group's results.

Investment in LeRoi

In January 2007, the Company acquired 25.32% equity interest in LeRoi. The Company also subscribed for a HK$3 million convertible notes issued by LeRoi and was granted an option to subscribe for additional HK$7 million convertible notes to be issued by LeRoi.

Financial Review

Liquidity, Capital Structure and Gearing

In view of acquiring potential business opportunities available in the market, it is appropriate for the WYT Group to maintain sufficient working capital. During the year under review, the WYT Group disposed one of its subsidiaries which owned an industrial property located in Kowloon Bay, for a cash consideration of HK$188 million. As at 31 March 2007, the WYT Group's total borrowings amounted to HK$59.3 million (2006: HK$133.1 million) which included bank borrowings and overdrafts of HK$59.2 million (2006: HK$132.7 million) and obligations under a finance lease of HK$0.1 million (2006: HK$0.4 million).

The gearing ratio, defined as the ratio of total borrowings to equity attributable to equity holders was approximately 9.0% (2006: 20.6%).

Foreign Exchange

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

Placing of New Shares

The WYT Group placed 279,000,000 new shares of HK$0.01 each through a placing agent, on a fully underwritten basis, to independent investors at a price of HK$0.46 per share, completion of which took place on 29 June 2007. The net proceeds of approximately HK$124.1 million are intended to be used for the expansion of the WYT Group's retail network in the PRC and Hong Kong and for general working capital of the WYT Group.

Placing of Convertible Notes

On 11 June 2007, the WYT Group entered into a placing agreement with a placing agent to place, on a fully underwritten basis, up to an aggregate principal amount of HK$250,000,000 convertible note at an initial conversion price of HK$0.58 per share. This placement is subject to the approval of the shareholders of the Company at the special general meeting to be held on 26 July 2007. The net proceeds of approximately HK$245.5 million are intended to be used as to approximately HK$180 million for capturing new investment opportunities and for the general working capital of the WYT Group.

Employees

As at 31 March 2007, the WYT Group employed approximately 560 employees, of which approximately 84% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK$72.7 million. The WYT 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 WYT Group's salary and bonus system. The WYT Group also makes available a share option scheme to its employees.

Contingent Liabilities and Charge on Assets

As at 31 March 2007, there was no significant contingent liability (2006: Nil) and the outstanding bank borrowings of approximately HK$53.3 million were secured by certain assets of the WYT Group (2006: HK$77.1 million).

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the WYT Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding secured bank loans of approximately HK$57 million and obligations under finance leases of approximately HK$5,000, which were both borrowed by the WYT Group, and a shareholder's loan of HK$75 million, of which HK$60 million was borrowed by LeRoi and the remaining HK$15 million was borrowed by WYT.

Securities

The secured bank loans of approximately HK$57 million as aforesaid were secured by the prepaid lease payments and building of the WYT Group with carrying amount of approximately HK$93.2 million and HK$8.8 million respectively.

Disclaimer

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 31 July 2009, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgage, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated in Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 July 2009.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group after 31 July 2009 and up to the Latest Practicable Date.

3. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account the present available financial resources and the present available banking facilities of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

4. DISCLOSURE OF INTERESTS

(a) The Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

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** *(Note 1)* %
Ms. Tang Mui Fun *(Note 2)*	1,950,000	1,950,000	0.08

Notes:

1. The percentage shown is based on the 2,412,351,688 Shares in issue as at the Latest Practicable Date.

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

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

(b) **Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of the Company**

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the WYT Group or had any option in respect of such capital:

(i) *Long positions in the Shares*

Name of Shareholder	**Number of Shares or underlying Shares**	**Approximate percentage of the Company's existing issued share capital** *(Note 1)* %
Rich Time *(Note 2)*	527,009,324	21.85
Wang On Enterprises *(Note 2)*	527,009,324	21.85
Wang On *(Note 2)*	527,009,324	21.85

Notes:

1. The percentages shown are based on the 2,412,351,688 Shares in issue as at the Latest Practicable Date.

2. Rich Time is wholly owned by Wang On Enterprises, which is wholly owned by Wang On. Wang On Enterprises and Wang On are deemed to be interested in 527,009,324 Shares held by Rich Time.

(ii) *Interests in subsidiaries of the Company*

Name of subsidiary	**Name**	**Capacity**	**Approximate shareholding percentage** %
China Field	湖南湘雅集團有限公司	Beneficial owner	17
Hunan Xiangya	湖南湘雅集團有限公司	Beneficial owner	35.8

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following Directors are the directors or employees of companies which have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 under Part XV of the SFO:

Name of Director	Positions held in substantial shareholder
Mr. Tang Ching Ho	executive director of Wang On
Mr. Chan Chun Hong, Thomas	executive director of Wang On

5. MATERIAL CONTRACTS OF THE ENLARGED GROUP

(i) The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the WYT Group within two years preceding the Latest Practicable Date and are or may be material:

(a) The Loan Agreement.

(b) A loan agreement dated 10 July 2009 entered into between LeRoi and Gain Better in respect of the Previous Loan Facility.

(c) A licence agreement dated 30 June 2009 entered into between the Company, as the licensor, and Wang On Management Limited ("**Wang On Management**"), a wholly-owned subsidiary of Wang On, as the licensee, in respect of the sub-lease of certain portions of the industrial spaces on G/F and 5/F of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a gross floor area of approximately 1,487 square meters to Wang On Management for an annual rental of HK$1.68 million for a term of three years commencing from 1 July 2009.

(d) A placing and subscription agreement dated 11 May 2009 entered into between Rich Time, the Company and Kingston in respect of the top-up placing of a maximum of 165 million Shares, on a best efforts basis, to independent third parties at a price of HK$0.088 per Share. The net proceeds of approximately HK$13.5 million were raised.

(e) A placing agreement dated 11 May 2009 entered into between the Company and Kingston in respect of the placing of a maximum of 237 million new Shares, on a best efforts basis, to independent third parties at a price of HK$0.088 per Share. The net proceeds of approximately HK$20.1 million were raised.

(f) A loan agreement dated 23 February 2009 entered into between LeRoi and Gain Better in respect of an unsecured loan of HK$10 million advanced to LeRoi for a term of one year from the date of drawdown.

(g) A loan agreement dated 3 November 2008 entered into between Rich Time and the Company in respect of the loan facility of not exceeding a sum of HK$30 million advanced to the Company for a term of one year from the date of each drawdown.

(h) A loan agreement dated 2 October 2008 entered into between Rich Time and the Company in respect of the loan of HK$5 million advanced to the Company for a period of one year.

(i) A loan agreement dated 22 September 2008 entered into between Bright Leading Limited ("**Bright Leading**"), a wholly-owned subsidiary of the Company, and Hunan Xiangya in respect of an unsecured loan of a sum of HK$3 million advanced to Hunan Xiangya for a term of five years for establishment of a production line in Hunan Xiangya.

(j) The Company entered into contract notes dated 18 September 2008 with certain holders of the convertible notes due on 14 August 2009 issued by the Company on 14 August 2007 with an aggregate principal sum of HK$250 million (the "**Convertible Notes**"), to purchase an aggregate outstanding sum of HK$48 million at a discount of 2.5%.

(k) A loan agreement dated 5 September 2008 entered into between Rich Time and the Company in respect of the loan of HK$5 million advanced to the Company for a period of one year.

(l) A shareholders agreement dated 1 September 2008 entered into between G Six Investment Ltd ("**G Six**"), New Precise Limited and CNT immediately following the entering into the subscription agreement set out in item (m) below, in respect of regulating the management of CNT.

(m) A share subscription agreement dated 1 September 2008 entered into between G Six as an investor and CNT, a then indirect wholly-owned subsidiary of the Company and is incorporated in Singapore, in respect of (aa) the subscription of 84,737 ordinary shares in the issued share capital of CNT by G Six, comprising 5% of the total number of issued shares in CNT for an aggregate consideration of S$84,737; and (bb) the grant of a call option to G Six to subscribe for up to a maximum of 29% of the total number of issued shares in CNT subject to the terms and conditions set out in the aforesaid subscription agreement.

(n) An agreement dated 21 July 2008 entered into between Total Smart Investments Limited, an indirect wholly-owned subsidiary of the Company, and an independent third party in respect of the disposal of the entire interest in April Full Limited for an aggregate cash consideration of HK$2 million.

(o) The Company entered into contract notes dated 13 June 2008 with certain holders of the Convertible Notes, to purchase an aggregate outstanding sum of HK$101 million out of the Convertible Notes at a discount of 2.5%.

(p) A placing agreement dated 7 May 2008 entered into between Rich Time, the Company and Kingston in respect of the placing of a maximum of 335,004,000 Shares, on a best efforts basis, to independent third parties at a price of HK$0.165 per Share. The net proceeds of approximately HK$53.3 million were raised.

(q) The Company entered into contract notes dated 11 March 2008 with certain holders of the Convertible Notes, to purchase an aggregate outstanding sum of HK$101 million out of the Convertible Notes at a discount of 2.5%.

(r) A share transfer agreement dated 11 October 2007 entered into between China Field, an indirect wholly-owned subsidiary of the Company, and 湖南湘雅集團有限公司 in respect of the transfer of 15.8% equity interest in Hunan Xiangya to 湖南湘雅集團有限公司 for an aggregate consideration of HK$2 million.

(s) An agreement dated 11 October 2007 entered into between Bright Leading, as the purchaser, and Ms. Yu Xiaoyun, as the vendor, in respect of the acquisition of 32% interest in China Field and the assignment of a shareholder's loan of HK$128,000, for a total consideration of HK$4 million.

(ii) The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the LeRoi Group within two years preceding the Latest Practicable Date and are or may be material:

(a) The Loan Agreement.

(b) A share transfer agreement dated 13 July 2009 entered into between Ms. To Yuk Fung, Mr. Lam Kam Hung and Mr. Tam Chi Hin, as the vendors, and Rich Skill Investments Limited, an indirectly wholly-owned subsidiary of LeRoi, as the purchaser, in respect of the acquisition of an aggregate of 51% of the issued share capital of Skywalker for a total consideration of HK$36.8 million.

(c) A loan agreement dated 10 July 2009 entered into between LeRoi and Gain Better in respect of the Previous Loan Facility.

(d) A loan agreement dated 16 June 2009 entered into between LeRoi and Fully Finance Limited ("**Fully Finance**") in respect of the loan of HK$20 million advanced to LeRoi for a term of two years.

(e) A conditional subscription agreement dated 10 June 2009 entered into between LeRoi and Abterra in respect of the subscription of 255,000,000 shares in the share capital of Abterra in consideration of Abterra agreeing to subscribe for 385,000,000 new LeRoi Shares subject to the terms and conditions set out in the aforesaid subscription agreement.

(f) A loan agreement dated 23 February 2009 entered into between LeRoi and Gain Better in respect of an unsecured loan of HK$10 million advanced to LeRoi for a term of one year from the date of drawdown.

(g) A supplemental agreement dated 16 February 2009 entered into between Onger Investments Limited ("**Onger**"), China Agri-Products and Kingston, in respect of the amendment of the total number of placing shares as defined in the aforesaid placing and subscription agreement dated 13 February 2009 (as set out in item (h) below) from 153 million shares to 60 million shares in the share capital of China Agri-Products.

(h) A placing and subscription agreement dated 13 February 2009 entered into between Onger, China Agri-Products and Kingston in respect of the placing of a maximum of 153 million shares in the share capital of China Agri-Products, on a best efforts basis, to independent third parties at a price of HK$0.25 per share.

(i) A conditional sale and purchase agreement dated 13 February 2009 entered into between Loyal Fame, as the vendor, and Wang On Enterprises, as the purchaser, in respect of the sale and purchase of the entire equity interest in Everlong Limited and a related shareholder's loan at an aggregate consideration of HK$63.4 million, completion of which took place on 25 March 2009.

(j) A loan agreement dated 21 November 2008 entered into between Fully Finance and LeRoi in respect of the loan facility of not exceeding a sum of HK$40 million advanced to LeRoi for a term of two years from the date of each drawdown.

(k) A conditional agreement dated 30 October 2008 entered into between Onger, Velocity International Limited and Mr. Chan Yeung Nam in respect of the acquisition of 27.14% equity interest in China Agri-Products at an aggregate consideration of HK$150 million.

(l) A conditional sale and purchase agreement dated 31 July 2008 entered into between an independent third party and Joyful Leap Investments Limited ("**Joyful Leap**"), an indirect wholly-owned subsidiary of LeRoi, in connection with the sale and purchase of the entire issued share capital of Strengthen Investments and the assignment of a shareholder's loan of approximately HK$195.6 million at an aggregate consideration of HK$197.8 million.

(m) A provisional sale and purchase agreement dated 30 July 2008 entered into between Top Globe Limited and Kinwood Investment Limited in connection with the purchase of the property located at 1/F., Rear Portion, No. 1 San Lok Street, Shek Wu Hui, Sheung Shui, New Territories, Hong Kong for a consideration of HK$1,980,000.

(n) A conditional sale and purchase agreement dated 25 January 2008 entered into between Good Turbo Investments Limited and Taco in connection with the sale and purchase of the entire issued share capital of Born Idea Limited and a shareholder's loan for an aggregate consideration of HK$18.82 million.

(o) A sale and purchase agreement dated 7 January 2008 entered into between Joyful Leap and an independent third party in connection with the sale and purchase of the entire issued share capital of Brightest Investment and a loan of approximately HK$177.3 million at an aggregate consideration of HK$240 million.

(p) A sale and purchase agreement dated 23 November 2007 entered into between Jumbo Sun Investments Limited, LeRoi, Strengthen Investments, its guarantor (collectively the purchasers), an independent third party and its guarantor (as the vendor) to purchase 50% each of the issued share capital of Vast Time at a consideration of RMB11.25 million each.

(q) A sale and purchase agreement dated 15 October 2007 entered into between Wisdom Gate Investments Limited ("**Wisdom Gate**") and an independent third party to purchase the entire issued share capital of Queen Success Investments Limited ("**Queen Success**") at a consideration of HK$1.00.

(r) A heads of agreement dated 24 September 2007 entered into between Queen Success and Mr. Quach Hung Tong in relation to the formation of a joint venture company in Vietnam to be held as to 2% shareholding interest by Queen Success and as to 98% shareholding interest by Mr. Quach Hung Tong for a total contribution of approximately HK$23.9 million.

(s) A sale and purchase agreement dated 13 September 2007 entered into between Wisdom Gate and an independent third party to purchase the entire issued share capital of Rich Fine Limited at a consideration of HK$1.00.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the WYT Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

7. LITIGATION OF THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Company, LeRoi, or any of their respective subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company, LeRoi, or any of their respective subsidiaries.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the WYT Group's business, which competes or is likely to compete, either directly or indirectly, with the WYT Group's business.

9. INTEREST IN ASSETS AND CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date,

(a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2009 (being the date to which the latest published audited accounts of each of the WYT Group and the LeRoi Group were made up), been acquired or disposed of by or leased to any member of the WYT Group and the LeRoi Group, or are proposed to be acquired or disposed of by or leased to any member of the WYT Group and the LeRoi Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the WYT Group and the LeRoi Group.

10. QUALIFICATIONS AND CONSENTS

The names and qualifications of the experts who have given opinion or advice to the Company which are contained in this circular and who have been named in this circular are set out below:

Name	Qualification
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
Nuada	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Savills Valuation and Professional Services Limited ("**Savills**")	Professional Property Valuers

Each of Deloitte, Nuada and Savills has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, none of Deloitte, Nuada and Savills was interested in any Share or share in any member of the Enlarged Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Enlarged Group.

As at the Latest Practicable Date, none of Deloitte, Nuada and Savills had any direct or indirect interest in any asset which had been, since 31 March 2009, being the date to which the latest published audited accounts of each of the WYT Group and the LeRoi Group were made up, acquired or disposed of by or leased to any member of the WYT Group and the LeRoi Group or are proposed to be acquired or disposed of by or leased to any member of the WYT Group and the LeRoi Group.

11. SHARE CAPITAL

Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised:		
60,000,000,000	Shares	600,000,000
Issued and fully paid or credited as fully paid:		
2,412,351,688	Shares	24,123,516.88
Up to 3,659,587,500 new WYT Shares to be issued under the Partial Share Exchange Offer		36,595,875

All of the WYT Shares in issue rank *pari passu* with each other in all respects including all rights as to dividends, voting rights and interests in dividends and capital. Apart from 165 million Shares and 237 million Shares were issued and allotted on 21 May 2009 and 26 May 2009, respectively, upon completion of the top-up subscription and the placing of new Shares, as detailed in the Company's announcements dated 21 May 2009 and 26 May 2009, there has been no change to the authorised and issued share capital of the Company since 31 March 2009, the date to which the latest published audited accounts of the WYT Group were made up.

12. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the WYT Group since 31 March 2009, being the date to which the latest published audited accounts of the WYT Group were made up.

13. GENERAL

(a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Mak Yuen Ming, Anita. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day at the head office and principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the memorandum and articles of association of LeRoi;

(c) the annual reports of the Company for the two years ended 31 March 2009;

(d) the annual reports of LeRoi for the two years ended 31 March 2009;

(e) the letter from the Board, the text of which is set out on pages 5 to 22 of this circular;

(f) the material contracts referred to in the section headed "Material contracts of the Enlarged Group" in this Appendix;

(g) the report from Deloitte in respect of the unaudited pro forma financial information of the Enlarged Group, which is set out in Appendix III to this circular;

(h) a valuation report on the LeRoi Group, which is set out in Appendix IV to this circular;

(i) a valuation report on the WYT Group, which is set out in Appendix V to this circular;

(j) a letter from Nuada as set out on pages 23 to 32 of the circular;

(k) the written consents of the experts referred to in the section headed "Qualifications and consents" in this Appendix; and

(l) this circular.

WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位 元 堂 藥 業 控 股 有 限 公 司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*) (the "**Company**") will be held at 11/F., Two Exchange Square, Central, Hong Kong on Friday, 2 October 2009 at 10:00 a.m. (the "**SGM**") for the purpose of considering and, it thought fit, passing the following resolutions, with or without modification, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT:**

(a) the acquisition of 1,463,835,000 shares in the capital of LeRoi Holdings Limited ("**LeRoi**") from the shareholders of LeRoi other than Gain Better Investments Limited ("**Gain Better**"), a wholly-owned subsidiary of the Company, and parties acting in concert with it (the "**Independent LeRoi Shareholders**") pursuant to the possible voluntary conditional partial share exchange offer (the "**Partial Share Exchange Offer**"), details of which are set out in the circular to the shareholders of the Company dated 16 September 2009, by Kingston Securities Limited on behalf of Gain Better, be and is hereby approved;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, 3,659,587,500 new shares of HK$0.01 each in the share capital of the Company (the "**Consideration Shares**") as consideration under the Partial Share Exchange Offer, the allotment and issue of the Consideration Shares to the Independent LeRoi Shareholder(s) who has/have validly accepted the Partial Share Exchange Offer be and are hereby approved;

(c) the directors of the Company (the "**Directors**"), acting together, individually or by committee, be and are generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to do all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions

* *For identification purpose only*

set out in paragraphs (a) and (b) of this resolution (the "**Transactions**") and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company, to the extent such variation, amendment, supplement or waiver does not constitute material changes to the material terms of the Transactions."

(2) "**THAT**:

(a) the conditional loan agreement dated 28 August 2009 entered into between Gain Better and LeRoi in relation to a loan of HK$190 million to be granted by Gain Better to LeRoi (the "**Loan Agreement**"), details of which are set out in the circular to the shareholders of the Company dated 16 September 2009, be and is hereby approved, ratified and confirmed; and

(b) the Directors, acting together, individually or by committee, be and are generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to do all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Loan Agreement and the transactions contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company, to the extent such variation, amendment, supplement or waiver does not constitute material changes to the material terms of the Loan Agreement and the transactions contemplated therein."

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 16 September 2009

* *For identification purpose only*

Notes:

(1) A shareholder of the Company entitled to attend and vote at the SGM convened by the above notice or any adjournment thereof (as the case may be), is entitled to appoint one or more than one proxy to attend and to vote in his/her stead. A proxy need not be a shareholder of the Company.

(2) In order to be valid, the form of proxy, together with any power of attorney or other authority, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude members from attending and voting at the SGM or any adjournment thereof (as the case may be), if they so wish and in such event, the form of proxy shall be deemed to be revoked.

(3) Where there are joint holders of any shares, any one of such joint holders may vote at the SGM either personally or by proxy in respect of such shares as if he/she were solely entitled thereto provided that if more than one of such joint holders be present at the SGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.

(4) All resolutions proposed at the SGM will be voted by way of poll and no shareholders of the Company is required to abstain from voting on any resolution proposed at the SGM.