2012年

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115週年

位元堂

Wai Yuen Tong Medicine Holdings Limited

(Stock code : 897)

Annual Report 2012

CONTENTS

MILESTONE

1897

Mr. Lai Chang-hou and partners opened the first Wai Yuen Tong store at 44 Jiang Lan Jie, Guangzhou, specialising in the wholesaling of Chinese herbal medicine.

1952

The company's headquarters moved from Guangzhou to Hong Kong. Business continued to expand.

1970

The production line was formally moved to Hong Kong. Mr. Lai Zong-min, of the fourth generation of the Lai's family, inherited the business. Launch of classic commercial jingle "The Sun is Rising" sung by Adam Cheng.

1980

Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong Medicine") was formally established with "Wai Yuen Tong" registered as a trademark in Hong Kong.

1998

Wai Yuen Tong Medicine established the first one-stop Chinese healthcare centre in Hong Kong comprising a clinic, a room for brewing herbal concoctions, a special area for taking medicine, and a private consultation room.

2000

In December, Wai Yuen Tong Medicine became a subsidiary of Wang On Group Limited (stock code:1222).

2002

The businesses of Wai Yuen Tong Medicine and Luxembourg Medicine Company Limited were injected into Wai Yuen Tong Medicine Holdings Limited (formerly known as Dailywin Group Limited), which was listed on Hong Kong Stock Exchange (stock code: 897). Wai Yuen Tong Medicine was honored with the Hong Kong "Superbrands" award.

2003

Wai Yuen Tong began to enter the China market in the hope of building a nationwide network of TCM operations.

Wai Yuen Tong started to develop the China market from Guangdong. Our retail network covers Shenzhen, Dongguan, Guangzhou and other cities neighbouring Hong Kong.

2004

Headquarters moved to Wai Yuen Tong Buildings in Kowloon Bay. The 110,000 sq. ft. complex comprises sorting facilities, production and packaging plant, quality control laboratory, warehouses, etc.

CNT Health Food Pte Ltd became a subsidiary company of Wai Yuen Tong Medicine Holdings Limited. The subsidiary is one of the few bird's nest manufacturers awarded HACCP (Hazard Analysis and Critical Control Point) certification.

2006

Awarded the "Good Manufacturing Practice" (GMP) status as well as licenses from the Hong Kong Health Department and the Therapeutic Goods Administration of Australia in January.

2009

Wai Yuen Tong's "Young Yum Pill" was designated as a cultural heritage of Chinese herbal medicine in Lingnan, Guangdong.

2010

Wai Yuen Tong was honored with the Hong Kong Corporate Brand Award.

Luxembourg Medicine Company Limited launched Pearl's — a range of personal health care products developed exclusively with proprietary innovative technology. Examples are Pearl's "Mosquitoout" series and skin care products.

2011

"Wai Yuen Tong Hou Tso Powder" was ranked first in value & volume sales at Total Key Account in Hong Kong (Based on the Cough Remedy Scan Track Service conducted by Nielsen.)

2012

Awarded Hong Kong Top Brand Ten Year Achievement Award by the Hong Kong Brand Development Council.

Pursuing a strategy of geographical diversification in China, Wai Yuen Tong now operates a network of more than 100 outlets on the mainland, with shops in major cities like Shanghai, Nanjing, Hangzhou and Beijing. More than 60 outlets are in operation in Hong Kong, Kowloon and the New Territories.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. Leung Wai Ho
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

PRINCIPAL BANKERS

Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y.T. Ho & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HOMEPAGE

http://www.wyth.net

STOCK CODE

897

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board" or the "Directors") of Wai Yuen Tong Medicine Holdings Limited (the "Company"), I am pleased to present the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012.

FINANCIAL RESULTS

During the year under review, the Group reported turnover and gross profit of approximately HK$752.1 million and approximately HK$354.4 million, representing increases of approximately 17.6% and approximately 17.5%, respectively, when compared with those of the previous year. Loss attributable to owners of the Company amounted to approximately HK$226.9 million for the year ended 31 March 2012, as compared to a profit of approximately HK$99.1 million for the year ended 31 March 2011.

In light of the uncertain business environment and the performance of the Group, the Board is of the opinion that the Group should maintain a strong cash flow, and thus does not recommend the payment of a final dividend for the year ended 31 March 2012.

BUSINESS REVIEW

During the year, The Group adopted a more proactive marketing strategy and embarked on a campaign to strengthen the awareness of the "Wai Yuen Tong", "Madame Pearl's" and "Pearl's" brands. Apart from traditional advertising, the Group has set up fans page on Facebook and launched iPhone apps to reach out to the cyber world. Such branding and promotion activities succeeded in gaining recognition from the younger generation and helped to broaden the brands' customer base.

Driven by the rising popularity of Chinese medicine and therapy and better credibility of Hong Kong retailers, mainland tourists' spending on quality traditional Chinese medicine materials surged substantially. Turnover of the Group's Chinese pharmaceutical products for the year ended 31 March 2012 grew by approximately 19.9% to approximately HK$554.8 million. The Group also strengthened its Chinese medicine clinic services during the year. Its first integrated Chinese medical centre, Practicare Imperial, was opened in Nathan Road, Kowloon in August 2011. The concept of offering a one-stop solution in traditional Chinese medical practice under a prestigious brand name was well-received by the market.

> "Remaining faithful to the philosophy of "Preparing medicine with dedications, growing strong with reputation", Wai Yuen Tong adheres uncompromisingly to its traditional virtues."

The Group's Western pharmaceutical product business also improved during the year under review. As a result of the effective positioning of "Madame Pearl's" as "a medicine specialised for respiratory issues" and launching of personal care products under the "Pearl's" brand, turnover of this segment grew by approximately 14.3% year-on-year to approximately HK$156.8 million.

To further enlarge its income base, the Group had expanded the product range and sale network of its bottled birds' nest drink products, which resulted in improved contribution from the products. The Group also extended its investment properties portfolio during the year with the addition of premises for rental.

Despite favourable performance of its medicine and health care products, the Group's results were adversely affected by its interest in PNG Resources Holdings Limited ("PNG") and listed equity securities held-for-trading.

FUTURE OUTLOOK

Rising costs of production and acceleration in commercial property rental are expected to add pressure on the Group's medicine production and retailing operations. Apart from enhancing operation efficiency, the Group is seeking to maintain healthy profit margins through the introduction of value-added services and products as well as leveraging its various product brands' market recognition.

To capture opportunities arising from the increasing demand for Chinese medicine products, the Group will further expand the network of "Wai Yuen Tong" outlets and increase the number of Practicare Imperial. The Group will also put efforts into the development of Chinese pharmaceutical products by applying traditional formulae that address the needs of urban dwellers.

We believe Wai Yuen Tong's hundred year old legacy has laid a solid platform for the Group to build a successful business model through revolutionising the way of production and practice of Chinese medicine.

APPRECIATION

In closing, I would like to extend my heartfelt appreciation to all the staff for their dedication and contribution over the years. I would also like to express my sincere gratitude to all our institutional investors, shareholders, customers and suppliers for their unfailing support to the Group.

Tang Ching Ho
Chairman

Hong Kong, 20 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2012, the Group recorded a turnover and loss attributable to owners of the Company of approximately HK$752.1 million (2011: approximately HK$639.5 million) and approximately HK$226.9 million (2011: profit of approximately HK$99.1 million), respectively.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: HK0.3 cents per ordinary share). No interim dividend was paid for the six months ended 30 September 2011 (30 September 2010: Nil).

BUSINESS REVIEW

For the year ended 31 March 2012, the Group achieved excellent business growth and recorded a turnover of approximately HK$752.1 million (2011: approximately HK$639.5 million), representing a growth of approximately 17.6% over last year. However, the Group recorded a loss attributable to owners of the Company of approximately HK$226.9 million for the year (2011: profit of approximately HK$99.1 million). The unsatisfactory result was mainly due to the losses on held-for-trading investments and the impairment losses recognised for the investment in an associate.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 19.9% from approximately HK$462.7 million for last year to approximately HK$554.8 million. The achievement was the result of reinforcing customers' confidence in our quality products through strict production and process control, expanding our products range to attract and broaden our customers base, optimising our customer loyalty program with more attractive gifts and rewards, enhancing the incentive scheme for our staff to stimulate sales spirit, launching a series of marketing campaigns to promote brand awareness and product image and the continuously increasing number of Mainland Chinese tourists visiting Hong Kong to buy our products. These resulted in better same store sales growth and a generally better performing retail business.

Besides, in addition to the existing traditional Chinese medical clinics operated within our retail shops, the Group opened its first integrated Chinese

medical centre located in Nathan Road, Kowloon, Hong Kong in August 2011, namely Wai Yuen Tong Practicare Imperial. This strategic move helps to further strengthen our position in the Chinese pharmaceutical and health food products industry.

(2) Western Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 14.3% from approximately HK$137.2 million for last year to approximately HK$156.8 million. The cough syrup products under the brand "Madame Pearl's" kept on contributing a very stable sales momentum and substantial profit margin to the Group.

Meanwhile, the Group has successfully diversified its products portfolio by launching a series of personal care products under its secondary brand "Pearl's". After 2 years time for products development, adding promotion effort, increasing products penetration and appearance in different sales channels, "Pearl's" has gained customers' confidence, becoming more well-known to the public and more well-received by the market.

In addition, a new product line, "WALKER" sugar-free mint candy, has been introduced to the market in the fourth quarter. Market response is positive and encouraging.

(3) Bottled Birds' Nest Drinks and Herbal Essence Products

Turnover for the year decreased by approximately 8.7% from approximately HK$34.4 million for last year to approximately HK$31.4 million. The dropped in sales was mainly due to the adverse effect caused by the recent incidents about fake red/bloody birds' nest and high level of sodium nitrite contaminated birds' nest selling in the markets. Customers have lost the confidence in birds' nest and related products, i.e. both the consumption of dry birds' nest and bottled birds' nest were dropped.

Therefore, the Group has diversified its product range by introducing more herbal essence products and has expanded the distribution of its products to more overseas Chinese communities in order to minimise the impact from the loss of business in birds' nest sales.

(4) Property Investment

Some of the Group's properties were leased out for commercial purpose while some were used by its retail shops. Management believes in the long-term

"Wai Yuen Tong has always made strong commitments to the quality of its products and the medical ingredients used, thereby earning not only trust from its customers, but also the reputation as a prestigious Chinese medicine label."

prospects of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

During the year, the Group completed the acquisition of two properties. One of the properties is located in North Point, Hong Kong, which was acquired at a consideration of HK$35.3 million and is currently leased out to an independent third party for commercial purpose. The other one property is located in Lai Chi Kok Road, Kowloon, Hong Kong, which was acquired at a consideration of HK$26.0 million and is currently used by the Group as retail shop.

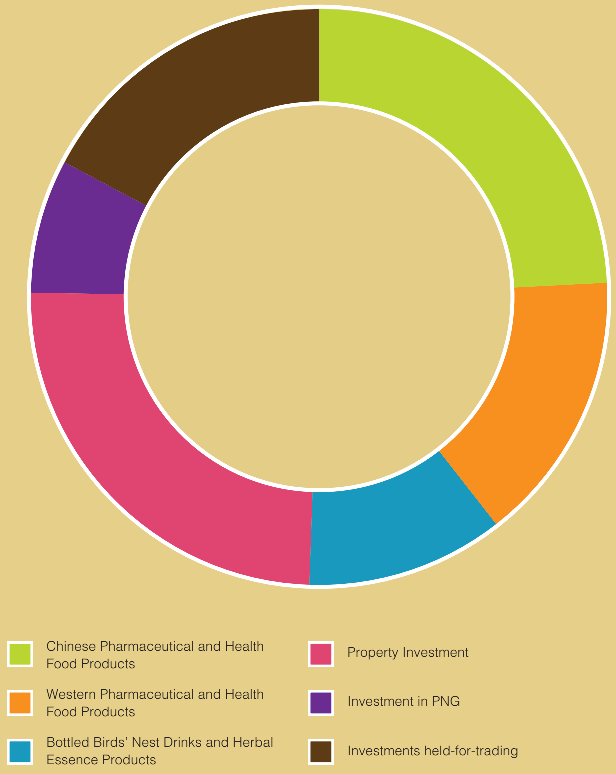
(5) Investment in PNG

PNG, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which is principally engaged in forestry and logging operations in Papua New Guinea, property development in the People's Republic of China (the "PRC") and retailing of fresh pork meat and related produce in Hong Kong. The Group shared the profit of PNG of approximately HK$1.9 million for the year (2011: approximately HK$2.9 million).

However, the Group recognised impairment losses of approximately HK$269.5 million for the year (2011: Nil) as the recoverable amount, which was determined on the basis of the market price of PNG's shares less costs to sell, was lower than the carrying value of the interest in PNG.

(6) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. Owing to the recent global financial downturn and economic slowdown, there has been a decline in Hong Kong's stock market. As a result, the Group has recorded net realised and unrealised losses of approximately HK$57.3 million on these held-for-trading investments for the year (2011: approximately HK$2.3 million).



FINANCIAL REVIEW

Liquidity and Gearing

As at 31 March 2012, the Group's total borrowings amounted to approximately HK$140.1 million (2011: approximately HK$118.8 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 10.3% (2011: approximately 7.5%).

Foreign Exchange

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

Capital Commitment

As at 31 March 2012, the Group had capital commitment of approximately HK$0.4 million (2011: approximately HK$31.9 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 31 March 2012, the Group had no material contingent liabilities (2011: Nil).

EMPLOYEES

As at 31 March 2012, the Group had 705 (2011: 654) employees, of whom approximately 67% (2011: approximately 67%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group. The Group's total staff costs for the year were approximately HK$123.0 million (2011: approximately HK$107.6 million).

PROSPECTS

The recent global financial and economic instability will affect the business environment in Hong Kong, especially the retail business. In order to minimise the adverse effect of the worsening global environment on our business, the Group will continue to pay efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Besides, the Group will increase the focus and add more resources to develop other sales channels, such as chain stores, key accounts, open trade, overseas, etc., in order to balance the risk and reliance on retail business. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, improving our production efficiency and relocating some of our retail shops to lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, which can be kept for both as long term capital appreciation and as to minimise the effect of the rising trend in rental costs. Hence, the Board is optimistic about the Group's prospects.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, *JP*, aged 50, was appointed as the Chairman of the Company in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination committee and the executive committee of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman of Wang On Group Limited ("Wang On"), a company listed on the Stock Exchange. Mr. Tang is also appointed as a standing committee member of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and a standing committee member of the third CPPCC Guangxi Yulin City Committee. He is the brother of Ms. Tang Mui Fun, an executive Director.

Mr. Chan Chun Hong, Thomas, aged 48, was appointed as the Managing Director of the Company in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination committee and the executive committee of the Company. He is responsible for managing the corporate matters and overall management and supervision of the Group. He is also the managing director of Wang On, the chairman and managing director of PNG, the chairman and chief executive officer of China Agri-Products Exchange Limited and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange. He graduated from the Hong Kong Polytechnic University (then known as the Hong Kong Polytechnic) with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Ms. Tang Mui Fun, aged 41, joined the Group in 2000 and was appointed as the Executive Director in September 2007. She is responsible for the overall strategic planning and development and policy making for the core business of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Ho, aged 62, was re-designated as an Independent Non-executive Director of the Company in April 2006 from a non-executive Director and he joined the Group in 1994. Mr. Leung is a member of the audit committee, the remuneration committee and the nomination committee of the Company. He has more than 47 years and 18 years of experiences in the watch industry and financial industry respectively. He is a National Committee Member of the Chinese People's Political Consultative Conference, a Standing Committee Member of Hebei Province of the Chinese People's Political Consultative Conference, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, the chairman of the Watches and Clocks Advisory Committee of the Hong Kong Trade Development Council, the Honorary President of the Hong Kong Chamber of Commerce in China – Guangdong and the Chartered President of the Dongguan City Association of Enterprises with Foreign Investment.

Mr. Yuen Chi Choi, aged 51, joined the Company as an Independent Non-executive Director in August 2001. He is the chairman of the audit committee of the Company and a member of the remuneration committee and the nomination committee of the Company. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 20 years of audit experience.

Mr. Siu Man Ho, Simon, aged 38, joined the Company as an Independent Non-executive Director in August 2001. He is a member of the audit committee and the nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of a law firm, namely Sit, Fung, Kwong & Shum. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters. Mr. Siu is also an independent non-executive director of Brilliant Circle Holdings International Limited, a company listed on the main board of the Stock Exchange.

Mr. Cho Wing Mou, aged 71, joined the Company as an Independent Non-executive Director in September 2001. He is a member of the audit committee and the remuneration committee of the Company and the chairman of nomination committee of the Company. Mr. Cho has over 42 years of experience in banking industry and was formerly as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st to 3rd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

SENIOR MANAGEMENT

Mr. Chiu Kwok Ho, Benedict joined the Group in April 2005 and is currently the Director of Luxembourg Medicine Group ("Luxembourg Group"), a principal subsidiary of the Group. He is responsible for the Luxembourg Group's overall Western pharmaceutical business in both Hong Kong and the PRC. Mr. Chiu graduated from Bradford University with a bachelor's degree in pharmacy and is a registered pharmacist in Hong Kong and the United Kingdom. He has 26 years of experience in the pharmaceutical industry.

Ms. Wong Shuk Fong, Jaime is currently the General Manager of Wai Yuen Tong Medicine Company Limited ("WYT Medicine"), a principal subsidiary of the Group, and is responsible for the overall operation of WYT Medicine, including retail business. Ms. Wong graduated from The Hong Kong Polytechnic University with a master degree in business administration. Ms. Wong has extensive experience in strategic management, sales and marketing management, and had been engaged in the strategic direction in FMCG and Chinese medicinal industries for over 24 years. With her innovative marketing initiatives, such companies have successfully established their brands with a strong position among their counterparts. Ms. Wong has also been stationed in the PRC, the U.S. and Australia prior to joining WYT Medicine. The Group is hence expecting further growth with her international horizon and extensive marketing practice.

Ms. Law Yin Man is currently the General Manager of WYT Medicine – the PRC. Ms. Law joined the Group in 2001 as the General Manager of Luxembourg Group. She was responsible for business development of Madame Pearl's products in the PRC and successfully established different sales channels. In 2006, Ms. Law was transferred to manage the overall operation of WYT Medicine – the PRC. As Ms. Law has extensive experience in sales and marketing in the PRC, the operation under her supervision has achieved rapid growth and the sales point of our Group in the PRC is over 100.

Mr. Lau Lai Chi is the Financial Controller of the Group. Mr. Lau graduated from The Chinese University of Hong Kong with a bachelor's degree in Business Administration (Professional Accountancy). He is a fellow member of both of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lau had 5 years working experience in an international firm of certified public accountants and over 11 years of experience in key financial position in Hong Kong listed companies and multi-national companies.

CORPORATE GOVERNANCE REPORT

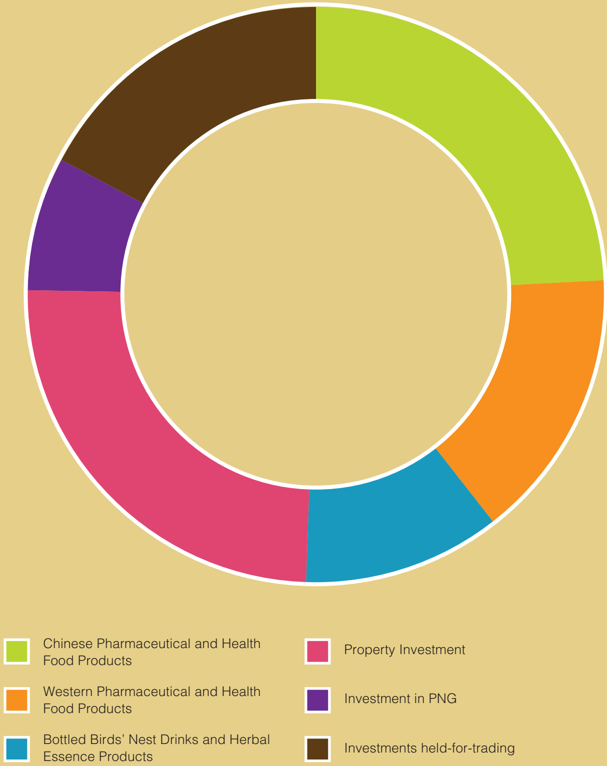
CORPORATE GOVERNANCE PRACTICES

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

The Company endeavours to adopt the code on corporate governance practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the CG Code throughout the year ended 31 March 2012.

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

"We continue to combine heritage with modern management methodologies in order to pursue diversification and internationalisation of its operations."



CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

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

THE BOARD

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

Executive Directors

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

Independent non-executive Directors

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

The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

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

All INEDs are appointed with specific term and all Directors are subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings in accordance with the bye-laws of the Company.

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

The Board's primary functions are, among others, to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board. Furthermore, the Board will also be responsible for performing the corporate governance duties and has adopted specified corporate governance policies in March 2012 pursuant to the recent amendments to the CG Code.

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

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

Members of the Board	Attendance
Executive Directors	
Mr. Tang Ching Ho, *JP (Chairman)*	2/4
Mr. Chan Chun Hong, Thomas *(Managing Director)*	4/4
Ms. Tang Mui Fun	4/4
INEDs	
Mr. Leung Wai Ho	4/4
Mr. Yuen Chi Choi	4/4
Mr. Siu Man Ho, Simon	3/4
Mr. Cho Wing Mou	4/4

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

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

BOARD COMMITTEE

The Board has established various committees, including audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and executive committee, each of which has the specific written terms of reference that have been reviewed and updated, where necessary, in March 2012 pursuant to the recent amendments to the Listing Rules (as implemented in January and April 2012, respectively). Copies of minutes of all meetings and resolutions of the committees are kept by the company secretary of the Company and open for inspection at any reasonable time on reasonable notice by any Director. Each committee is required to report to the Board on its decisions and recommendations, where appropriate.

Audit Committee

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

The functions of the Audit Committee is, among others, to assist the Board to review the financial reporting, including interim and final results, to supervise over the Group's internal controls, risk management and to monitor the internal and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting.

The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to be in compliance with the code provision of the CG Code. Its terms of reference were reviewed and updated in March 2012 to ensure that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting and financial reporting function.

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

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

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

During the year under review, the Audit Committee's review covered the financial highlights and audit issue raised by external auditors, accounting principles and practices, amendments to the Listing Rules and accounting standards, internal controls, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting matters, including the consolidated financial statements for the six months period ended 30 September 2011 and for the year ended 31 March 2012.

Remuneration Committee

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

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

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

Members of the Remuneration Committee	Attendance
Mr. Siu Man Ho, Simon *(Chairman)*	1/1
Mr. Yuen Chi Choi	1/1
Mr. Cho Wing Mou	1/1
Mr. Leung Wai Ho	1/1
Mr. Tang Ching Ho, *JP*	0/1
Mr. Chan Chun Hong, Thomas	1/1

The Remuneration Committee has discharged or will continue to discharge its major roles to, among other things, approve the terms of the service agreements of the Directors and the senior management, make recommendations with respect to the remuneration and policies of the Directors and senior management of the Company and to review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

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

Nomination Committee

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

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will continue to discharge its major roles and functions, including but not limited to, the following:

1. to review the structure, size and composition of the Board on a regular basis;

2. to identify and recommend any proposed change and to identify individual suitably qualified to become the Board members base on the criteria in the procedure (such as appropriate experience, personal skills and time commitment etc); and

3. to access the independence of independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors.

During the year, the Nomination Committee did not hold any meeting.

EXTERNAL AUDITORS' REMUNERATION

During the year and up to the date of this report, the remuneration paid/payable to the Company's external auditors, Deloitte Touche Tohmatsu, for the year ended 31 March 2012 which has been reviewed and approved by the Audit Committee and the Board, is set out as follows:

Services rendered for the Group	Fees paid/payable to Deloitte Touche Tohmatsu HK$'000
Audit services:	
– For annual financial statements	2,199
Non-audit services:	
– Taxation and professional services	112
Total	2,311

INTERNAL CONTROLS

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

The internal control system is designed to provide reasonable, but not absolute, assurance against material loss; and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations. During the financial year ended 31 March 2012, the Board reviewed with Audit Committee and/or auditors the effectiveness of the Group's internal control system, adequacy of resources, the qualifications and experience of staff of the Company's accounting and financial reporting function and satisfied that they were effective and in compliance with our policies.

COMMUNICATION WITH SHAREHOLDERS

During the year under review, the Company established a shareholder communication policy and the Board will review it from time to time to ensure its effectiveness.

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

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

In order to let shareholders to make an informed decision at the general meetings, sufficient notices with not less than 10 clear business days for every general meeting and 20 clear business days for every annual general meeting were given to the shareholders of the Company pursuant to E.1.3 of the CG Code, the bye-laws of the Company and any other applicable laws. The chairman will explain the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All votes at the general meetings held in this year were taken by way of a poll and poll results were published on the websites of the Stock Exchange and the Company on the date immediately following the holding of the general meetings.

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

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 March 2012, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditors about their reporting responsibilities is set out on pages 32 to 33 of this annual report. There are no material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2012 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 34 to 113.

The Group's revenue and loss attributable to owners of the Company for the year ended 31 March 2012 amounted to approximately HK$752.1 million (2011: approximately HK$639.5 million) and approximately HK$226.9 million (2011: profit of approximately HK$99.1 million), respectively.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: HK0.3 cents per ordinary share). No interim dividend was paid for the six months ended 30 September 2011 (30 September 2010: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited financial statements, is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and the investment properties of the Group during the year are set out in notes 16 and 17 to the financial statements, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 March 2012, the Company's reserves available for distribution to owners of the Company, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$129,708,000 (2011: approximately HK$313,661,000) which represented the net balance of contributed surplus of approximately HK$18,494,000 (2011: approximately HK$18,494,000), general reserves of approximately HK$215,599,000 (2011: approximately HK$215,599,000) and accumulated losses of approximately HK$104,385,000 (2011: accumulated profits of approximately HK$79,568,000).

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 March 2012 are set out on pages 111 and 113 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in share capital and share option scheme of the Company during the year, together with the reasons therefore, are set out in notes 31 and 32 to the financial statements, respectively.

DIRECTORS

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

Executive Directors:

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

Independent non-executive Directors:

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

In accordance with bye-law 87 of the Company's bye-laws, Mr. Tang Ching Ho, Mr. Leung Wai Ho and Mr. Siu Man Ho, Simon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 12 and 39 to the financial statements, no Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

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

Name of Director	**Date of grant**	**Exercise price per share**	**Number of share options outstanding**	**Exercisable period** (Note 1)	**Number of underlying shares**	**Number of total underlying shares**	**Approximate percentage of the Company's total issued share capital** (Note 2)
		HK$					%
Tang Mui Fun	2.1.2008	1.8782	78,214	2.1.2009 – 1.1.2013	78,214		
	8.1.2009	1.2050	78,214	8.1.2010 – 7.1.2019	78,214	156,428	0.01

Notes:

(1) The exercisable period of the above share options beneficially held by Ms. Tang Mui Fun was vested as follows:

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

(2) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2012 of 2,036,142,969 shares.

Save as disclosed above, as at 31 March 2012, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to eligible participants who contribute to the success of the Group. During the year under review, no share option was granted, exercised or cancelled and 531,862 share options lapsed during the year.

Details of the movements of the share options under the Scheme during the year were as follows:

	Number of share options							
Name or category of participant	Outstanding as at 1 April 2011	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding as at 31 March 2012	Date of grant	Exercise price per share HK$	Exercisable period (Note)
Executive Director								
Tang Mui Fun	78,214	–	–	(78,214)	–	3.1.2007	3.4488	2.1.2008–1.1.2012
	78,214	–	–	–	78,214	2.1.2008	1.8782	2.1.2009–1.1.2013
	78,214	–	–	–	78,214	8.1.2009	1.2050	8.1.2010–7.1.2019
	234,642	–	–	(78,214)	156,428			
Other employees								
In aggregate	316,470	–	–	(316,470)	–	3.1.2007	3.4488	2.1.2008–1.1.2012
	474,103	–	–	(38,506)	435,597	2.1.2008	1.8782	2.1.2009–1.1.2013
	649,786	–	–	(38,506)	611,280	8.1.2009	1.2050	8.1.2010–7.1.2019
	1,016,793	–	–	(60,166)	956,627	12.5.2010	0.4321	12.5.2011–11.5.2020
	2,457,152	–	–	(453,648)	2,003,504			
	2,691,794	–	–	(531,862)	2,159,932			

Note:

The share options granted under the Scheme were vested as follows:

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

Under the Scheme, share options may be granted to any Director or proposed Director (whether executive or non-executive, including INEDs), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants.

The Scheme became effective on 18 September 2003 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date and will expire on 17 September 2013. Under the Scheme, the Board may grant share options to the participants to subscribe for shares of the Company for a consideration of HK$1.00 for each lot of share options granted which must be accepted within 30 days from the date offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the Scheme, the maximum number of share options that may be granted under the Scheme and any other share option schemes of the Company is an amount, upon their exercise, not in aggregate exceeding 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes shall not in aggregate exceed 10% of the total number of shares issued, as at the date of approval of the Scheme limit.

The maximum number of shares issuable under share options to each eligible participant (except for a substantial shareholder or an INED or any of their respective associates) under 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 such limit must be separately approved by shareholders with such eligible participant and his associates abstaining from voting.

Share options granted to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the INEDs (excluding any INED who is the grantee of the option). Where any grant of share options to a substantial shareholder or an INED (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an INED (or any of their respective associates) is also required to be approved by shareholders.

The exercise price of the share options must be at least the higher of (i) the official closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

At the end of the reporting period, the Company had 2,159,932 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 2,159,932 additional ordinary shares of the Company and additional share capital of approximately HK$21,599.32 and share premium of approximately HK$2,187,639.30 (before issue expenses).

As at the date of this annual report, the total number of shares available for issue under the Scheme is 203,614,296 shares, representing 10.0% of the Company's total issued share capital.

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

Other particulars of the Scheme are set out in note 32 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" and "Share option scheme" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2012, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders (other than Directors) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the shares of the Company:

Name of shareholders	**Number of shares**	**Approximate percentage of the Company's total issued share capital** (Note 2) (%)
Wang On (Note 1)	509,042,034	25.0
Wang On Enterprises (BVI) Limited ("WOE") (Note 1)	509,042,034	25.0
Rich Time Strategy Limited ("Rich Time") (Note 1)	509,042,034	25.0

Notes:

1. Rich Time is wholly owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in 509,042,034 shares of the Company held by Rich Time.

2. The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2012 of 2,036,142,969 shares.

Save as disclosed above, as at 31 March 2012, there were no other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Company's announcement dated 22 November 2011 (the "Announcement"), the Company became an associate of Wang On. Certain of the following then existing transactions became continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

(a) the Company continued to lease back the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "Premises") from Conful Limited. The Company entered into a sub-lease agreement with Wang On Management Limited ("WOM"), a wholly-owned subsidiary of Wang On, the substantial shareholder of the Company holding approximately 25% equity interest in the Company, to lease portions of the Premises for a term of three years at a monthly license fee of HK$140,000;

(b) Wai Yuen Tong (Retail) Limited ("WYTR"), a 99.79%-owned subsidiary of the Company, as a tenant, and Good Excellent Limited, a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement for leasing a shop located at Shop Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon, Hong Kong for a term of three years at a monthly rental of HK$62,500; and

(c) WYTR, as a tenant, and Hovan Investments Limited, a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement for leasing a shop located at Shop Front Portion, G/F., Nathan Apartments, 510 Nathan Road, Kowloon for a term of three years at a monthly rental of HK$60,000.

The Directors (including all of the INEDs) have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iv) have not exceeded the cap disclosed in Announcement.

The Company engaged its auditors, Deloitte Touche Tohmatsu, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Further details of these transactions are set out in note 39 to the financial statements.

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme at the special general meeting held on 18 September 2003, as an incentive to Directors and eligible employees, details of the Scheme are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 15% of the Group's turnover.

During the year, the largest supplier accounted for 17% of the Group's purchases and the five largest suppliers of the Group accounted for 37% of the Group's purchases.

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

DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$0.4 million (2011: approximately HK$0.5 million).

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with the code provisions under the CG Code contained in Appendix 14 to the Listing Rules throughout the financial year under review. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 14 to 21 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's consolidated financial reporting process and internal controls. The Audit Committee has reviewed with management and the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements and reports for the year ended 31 March 2012. The Audit Committee comprises Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the INEDs, and Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

AUDITORS

The consolidated financial statements for the year ended 31 March 2012 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tang Ching Ho
Chairman

Hong Kong, 20 June 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Wai Yuen Tong Medicine Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 113, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**752,072**	639,512
Cost of sales		**(397,699)**	(337,902)
Gross profit		**354,373**	301,610
Other income	9	**32,045**	25,468
Selling and distribution expenses		**(222,157)**	(182,344)
Administrative expenses		**(88,083)**	(99,468)
Finance costs	10	**(2,216)**	(1,276)
Change in fair value of investments held-for-trading		**(57,328)**	(2,305)
Change in fair value of investment properties		**36,876**	51,551
Gain on disposal of a subsidiary	34	**–**	29,155
Impairment losses recognised in respect of an associate		**(269,473)**	–
Share of results of associates		**2,098**	3,170
(Loss) profit before taxation	11	**(213,865)**	125,561
Income tax expense	13	**(12,978)**	(20,666)
(Loss) profit for the year		**(226,843)**	104,895
Other comprehensive income (expense)			
Exchange differences on translation of foreign operations arising during the year		**942**	1,588
Share of other comprehensive income of an associate		**15,671**	2,339
Reclassification adjustment on disposal of a subsidiary		**–**	(890)
Gain on revaluation on transfer from property, plant and equipment to investment properties		**–**	28,014
Income tax relating to gain on revaluation on transfer from property, plant and equipment to investment properties		**–**	(4,622)
Other comprehensive income for the year (net of tax)		**16,613**	26,429
Total comprehensive (expense) income for the year		**(210,230)**	131,324

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(226,922)**	99,133
Non-controlling interests		**79**	5,762
		(226,843)	104,895
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(210,317)**	125,905
Non-controlling interests		**87**	5,419
		(210,230)	131,324
(Loss) earnings per share	14		
– Basic and diluted		**(11.14) cents**	7.65 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**172,554**	145,975
Investment properties	17	**304,000**	229,900
Goodwill	18	**15,335**	15,335
Interests in associates	19	**372,471**	626,495
Other intangible asset	20	**732**	682
Loans receivable	21	**221,341**	285,638
Deferred tax assets	30	**3,696**	3,514
Deposit for acquisition of investment property		**–**	3,528
		1,090,129	1,311,067
CURRENT ASSETS			
Inventories	22	**112,760**	95,428
Trade and other receivables	23	**140,334**	105,353
Amounts due from associates	24	**2,801**	2,933
Investments held-for-trading	25	**58,094**	126,465
Loans receivable	21	**82,020**	11,359
Tax recoverable		**3,100**	127
Bank balances and cash	26	**139,387**	148,504
		538,496	490,169
CURRENT LIABILITIES			
Trade and other payables	27	**90,935**	74,297
Bank borrowings	28	**69,008**	33,329
Deferred franchise income	29	**18**	18
Tax payable		**4,950**	3,464
		164,911	111,108
NET CURRENT ASSETS		**373,585**	379,061
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,463,714**	1,690,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	28	**71,112**	85,438
Deferred tax liabilities	30	**22,741**	16,533
		93,853	101,971
NET ASSETS		**1,369,861**	1,588,157
CAPITAL AND RESERVES			
Share capital	31	**20,361**	20,361
Reserves		**1,341,690**	1,560,060
Equity attributable to owners of the Company		**1,362,051**	1,580,421
Non-controlling interests		**7,810**	7,736
TOTAL EQUITY		**1,369,861**	1,588,157

The consolidated financial statements on pages 34 to 113 were approved and authorised for issue by the Board of Directors on 20 June 2012 and are signed on its behalf by:

TANG CHING HO
DIRECTOR

CHAN CHUN HONG, THOMAS
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	General reserve HK$'000 (Note b)	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note d)	Investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Acc-umulated (losses) profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	60,719	1,130,667	(27,150)	218,508	1,415	9,690	–	9,694	–	(304,555)	1,098,988	6,081	1,105,069
Profit for the year	–	–	–	–	–	–	–	–	–	99,133	99,133	5,762	104,895
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,527	–	–	–	–	1,527	61	1,588
Reclassification adjustment on disposal of a subsidiary	–	–	–	–	–	(486)	–	–	–	–	(486)	(404)	(890)
Gain on revaluation on transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	–	28,014	–	28,014	–	28,014
Share of other comprehensive income (expense) of an associate	–	–	–	–	–	12,033	–	(9,694)	–	–	2,339	–	2,339
Income tax relating to gain on revaluation on transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	–	(4,622)	–	(4,622)	–	(4,622)
Total comprehensive income (expense) for the year	–	–	–	–	–	13,074	–	(9,694)	23,392	99,133	125,905	5,419	131,324
Issue of new shares (note 31(a))	12,000	51,600	–	–	–	–	–	–	–	–	63,600	–	63,600
Rights issue and bonus issue (note 31(c))	17,453	286,513	–	(2,909)	–	–	–	–	–	–	301,057	–	301,057
Share issue expenses	–	(9,502)	–	–	–	–	–	–	–	–	(9,502)	–	(9,502)
Reduction in share capital (note 31(b))	(69,811)	–	–	–	–	–	–	–	–	69,811	–	–	–
Reduction in share premium (Note c)	–	(263,511)	–	–	–	–	–	–	–	263,511	–	–	–
Recognition of share-based payment	–	–	–	–	373	–	–	–	–	–	373	–	373
Forfeiture of share options	–	–	–	–	(104)	–	–	–	–	104	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3,764)	(3,764)
At 31 March 2011 and 1 April 2011	20,361	1,195,767	(27,150)	215,599	1,684	22,764	–	–	23,392	128,004	1,580,421	7,736	1,588,157
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(226,922)	(226,922)	79	(226,843)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	934	–	–	–	–	934	8	942
Share of other comprehensive income of an associate	–	–	–	–	–	15,671	–	–	–	–	15,671	–	15,671
Total comprehensive income (expense) for the year	–	–	–	–	–	16,605	–	–	–	(226,922)	(210,317)	87	(210,230)
Recognition of share-based payment	–	–	–	–	159	–	–	–	–	–	159	–	159
Lapse/forfeiture of share options	–	–	–	–	(643)	–	–	–	–	643	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(6,108)	(6,108)	–	(6,108)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(13)	(13)
Share of other reserve of an associate	–	–	–	–	–	–	(2,104)	–	–	–	(2,104)	–	(2,104)
At 31 March 2012	**20,361**	**1,195,767**	**(27,150)**	**215,599**	**1,200**	**39,369**	**(2,104)**	**–**	**23,392**	**(104,383)**	**1,362,051**	**7,810**	**1,369,861**

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.

(c) Pursuant to a special resolution passed by shareholders of the Company in a special general meeting on 23 March 2011, share premium of approximately HK$263,511,000 was applied to offset accumulated losses of the Company.

(d) The other reserve represents the Group's share of other reserve of its associate which in turn shares the other reserve of its another associate arising from the changes in that associate's ownership interests in its subsidiaries that do not result in the loss of control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(213,865)**	125,561
Adjustments for:		
Impairment losses recognised in respect of an associate	**269,473**	–
Change in fair value of investments held-for-trading	**35,437**	1,194
Depreciation of property, plant and equipment	**13,703**	10,888
Finance costs	**2,216**	1,276
(Reversal of) allowance for obsolete inventories	**(59)**	111
Amortisation of other intangible asset	**196**	179
Share-based payment expenses	**159**	373
Change in fair value of investment properties	**(36,876)**	(51,551)
Interest income	**(23,842)**	(19,825)
Share of results of associates	**(2,098)**	(3,170)
Recognition of deferred franchise income	**(90)**	(90)
(Reversal of) allowance for trade and other receivables	**(52)**	20,831
Gain on disposal of a subsidiary	**–**	(29,155)
Gain on disposal of property, plant and equipment	**–**	(9)
Operating cash flows before movements in working capital	**44,302**	56,613
Increase in inventories	**(17,260)**	(22,547)
Increase in trade and other receivables	**(34,862)**	(37,409)
Decrease (increase) in amounts due from associates	**132**	(1,265)
Decrease (increase) in investments held-for-trading	**32,934**	(102,211)
Increase in trade and other payables	**16,568**	11,393
Increase in deferred franchise income	**90**	90
Cash generated from (used in) operations	**41,904**	(95,336)
Interest received	**283**	18
Hong Kong Profits Tax paid	**(7,746)**	(10,206)
Overseas taxation paid	**(717)**	(1,278)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**33,724**	(106,802)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(40,224)**	(6,559)
Purchase of investment properties		**(33,696)**	(36,349)
Purchase of trademarks		**(246)**	(22)
Interest received		**17,195**	17,117
Dividends received from associates		**216**	220
Acquisition of subsidiaries, net of cash and cash equivalents acquired	33	**–**	(116,115)
Advance to related companies		**–**	(90,000)
Cost of acquisition of an associate		**–**	(12,240)
Deposit paid for acquisition of investment property		**–**	(3,528)
Disposal of a subsidiary	34	**–**	22,895
Proceeds from disposal of property, plant and equipment		**–**	9
NET CASH USED IN INVESTING ACTIVITIES		**(56,755)**	(224,572)
FINANCING ACTIVITIES			
New bank borrowings raised		**39,640**	56,847
Repayments of bank borrowings		**(18,287)**	(13,522)
Dividends paid		**(6,108)**	–
Interest paid		**(2,216)**	(1,276)
Dividends paid to non-controlling shareholders of subsidiaries		**(13)**	–
Proceeds from issue of shares		**–**	364,657
Share issue expenses		**–**	(9,502)
NET CASH FROM FINANCING ACTIVITIES		**13,016**	397,204
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(10,015)**	65,830
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**148,504**	81,144
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**898**	1,530
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**139,387**	148,504

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on 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 41.

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 new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instrument as of 31 March 2012.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013.

However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets *(continued)*

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The management is currently in the process of assessing the impact of the amendments.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill 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 Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

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 not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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 profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 2006 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Employee benefits

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans and stated-managed retirement benefit schemes are recognised 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 the end of each reporting period, 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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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 profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

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 profit or loss in the period 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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 to the net carrying amount on initial recognition.

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, loans receivable 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 of financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and 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, assets that are assessed not to be impaired individually are, in addition, 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 beyond the credit period of 60 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 profit or loss. 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 profit or loss.

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 loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of 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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an additional impairment loss may arise. As at 31 March 2012, the carrying amount of goodwill is approximately HK$15,335,000 (2011: HK$15,335,000). Details of the recoverable amount calculation are disclosed in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of interests in associates

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the recoverable amount which is the higher of value in use and fair value less costs to sell. The Group has carried out impairment testing to determine whether the Group's interest in the associate, PNG, is impaired as indicated by the decline of the quoted market price of the shares of PNG. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. The value in use calculation requires the Group to estimate the future cash flows expected to be generated by the associate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2012, the carrying amount of interests in associates is approximately HK$372,471,000 (2011: HK$626,495,000) (net of accumulated impairment loss of approximately HK$307,167,000 (2011: HK$37,694,000)).

Estimated impairment of loans receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2012, the carrying amount of loans receivable is approximately HK$303,361,000 (2011: HK$296,997,000).

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 disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated (losses) profits.

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

	2012 HK$'000	2011 HK$'000
FINANCIAL ASSETS		
Held for trading	**58,094**	126,465
Loans and receivables (including cash and cash equivalents)	**566,647**	544,180
FINANCIAL LIABILITIES		
Amortised cost	**199,324**	168,858

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates, loans receivable, investments held-for-trading, bank balances and cash, trade and other payables and bank borrowings. 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 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 2.2% (2011: 3.3%) 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 70.2% (2011: 67.3%) 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.

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar ("HK$")	**940**	1,891	**47**	3,322
Renminbi ("RMB")	**7,596**	4,019	**4,171**	249
United States Dollar ("USD")	**1,858**	443	**3,099**	16,568
Australian Dollar ("AUD")	**–**	–	**–**	5
Singapore Dollar ("SGD")	**1,537**	–	**956**	445
Euro ("EUR")	**413**	–	**1,065**	21
Great Britain Pound ("GBP")	**334**	–	**–**	–
New Taiwan Dollar ("NTD")	**2,422**	–	**–**	–

Sensitivity analysis

The Group is mainly exposed to the foreign exchange rates fluctuation of the foreign currencies stated above against the functional currency of the respective group entities.

The Group's exposures to currency risk are considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 28) 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 loans receivable (see note 21) and fixed-rate short term bank deposits (see note 26).

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.

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points 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 2012 would increase/decrease by approximately HK$585,000 (2011: profit decrease/increase by approximately HK$496,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate bank borrowings.

The Group's exposures to interest rates on bank balances are considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

(iii) Price risk

The Group is exposed to 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 currently does not have a policy to hedge the 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 end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10% (2011: 5%) increase or decrease is used when reporting 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 10% (2011: 5%) and all other variables were held constant, the Group's loss for the year ended 31 March 2012 would decrease/increase by approximately HK$4,851,000 (2011: profit increase/decrease by approximately HK$5,280,000).

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk

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

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or 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 2012								
Trade and other payables	–	**53,089**	**3,823**	**2,292**	**–**	**–**	**59,204**	**59,204**
Bank borrowings								
– variable rate	1.83	**58,643**	**3,946**	**7,842**	**39,650**	**37,264**	**147,345**	**140,120**
		111,732	**7,769**	**10,134**	**39,650**	**37,264**	**206,549**	**199,324**
As at 31 March 2011								
Trade and other payables	–	47,059	1,175	1,857	–	–	50,091	50,091
Bank borrowings								
– variable rate	1.61	22,980	3,964	7,884	47,354	44,522	126,704	118,767
		70,039	5,139	9,741	47,354	44,522	176,795	168,858

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2012, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$54,681,000 (2011: HK$19,001,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in one month to over five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows are repayable as follows:

	2012 **HK$'000**	2011 HK$'000
Less than 3 months	**1,747**	904
3 to 6 months	**1,737**	898
6 months to 1 year	**3,453**	1,080
1 to 5 years	**23,337**	12,842
Over 5 years	**31,365**	4,205
Total undiscounted cash flows	**61,639**	19,929

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk in loans to PNG of approximately HK$221,341,000 (2011: HK$220,873,000) and loans to China Agri-Products Exchange Limited ("China Agri-Products") of approximately HK$82,020,000 (2011: HK$76,124,000) as detailed in note 21. As PNG and China Agri-Products are listed entities, the management of the Group reviews their published financial information regularly to ensure that such loans are recoverable at the respective maturity dates.

In order to minimise the credit risk on trade and other receivables, 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 the end of the reporting period 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.

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

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

- the fair value of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; 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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the consolidated statement of financial position

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
FINANCIAL ASSETS AT FVTPL				
Investments held-for-trading	**56,221**	**1,873**	**–**	**58,094**

	2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
FINANCIAL ASSETS AT FVTPL				
Investments held-for-trading	126,465	–	–	126,465

There were no transfers between Level 1 and 2 in the current year.

7. REVENUE

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

	2012	2011
	HK$'000	HK$'000
Sales of goods	**742,107**	633,004
Rental income from investment properties	**9,110**	5,304
Management and promotion fees	**855**	1,204
	752,072	639,512

8. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the goods and services they provide. For management purposes, the Group operates in four business units, each of which constitutes an operating segment. Each of the Group's reportable and operating 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 reportable and operating segments. The Group's reportable and operating segments under HKFRS 8 are as follows:

(a) production and sale of Chinese pharmaceutical and health food products – 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;

(b) production and sale of Western pharmaceutical and health food products – processing and sale of Western pharmaceutical products and personal care products under the brand name of "Madame Pearl's" and "Pearl's", respectively;

(c) production and sale of bottled birds' nest drinks and herbal essence products – processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products; and

(d) property investment – investment in commercial premises for rental income.

Information regarding the above segments is reported below.

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investment		Elimination		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE												
External sales	**554,757**	462,674	**156,849**	137,158	**31,356**	34,376	**9,110**	5,304	**–**	–	**752,072**	639,512
Inter segment sales *	**–**	543	**1,659**	1,490	**41,553**	50,109	**4,424**	1,734	**(47,636)**	(53,876)	**–**	–
	554,757	463,217	**158,508**	138,648	**72,909**	84,485	**13,534**	7,038	**(47,636)**	(53,876)	**752,072**	639,512
RESULTS												
Segment results	**54,020**	35,747	**10,901**	19,346	**(1,848)**	(324)	**4,473**	2,928			**67,546**	57,697
Other income											**32,045**	25,468
Unallocated expenses											**(23,413)**	(37,899)
Finance costs											**(2,216)**	(1,276)
Change in fair value of investments held-for-trading											**(57,328)**	(2,305)
Change in fair value of investment properties											**36,876**	51,551
Gain on disposal of a subsidiary											**–**	29,155
Impairment losses recognised in respect of an associate											**(269,473)**	–
Share of results of associates											**2,098**	3,170
(Loss) profit before taxation											**(213,865)**	125,561

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit/loss earned by each segment without allocation of other income, central administration costs, change in fair value of investment properties, share of results of associates, change in fair value of investments held-for-trading, gain on disposal of a subsidiary, impairment losses recognised in respect of an associate and finance costs. There were asymmetrical allocations to operating segments because the Group does not allocate change in fair value of investment properties to the segment in which those investment properties are allocated. This is the measure reported to the Group's executive directors, the chief operating decision makers for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investment		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS AND LIABILITIES										
ASSETS										
Assets excluding goodwill	**180,176**	129,747	**76,056**	59,849	**16,466**	22,902	**448,710**	354,272	**721,408**	566,770
Goodwill	**7,700**	7,700	**7,635**	7,635	**–**	–	**–**	–	**15,335**	15,335
Segment assets	**187,876**	137,447	**83,691**	67,484	**16,466**	22,902	**448,710**	354,272	**736,743**	582,105
Interests in associates									**372,471**	626,495
Loans receivable									**303,361**	296,997
Investments held-for-trading									**58,094**	126,465
Tax recoverable									**3,100**	127
Deferred tax assets									**3,696**	3,514
Bank balances and cash									**139,387**	148,504
Unallocated assets									**11,773**	17,029
Consolidated total assets									**1,628,625**	1,801,236
LIABILITIES										
Segment liabilities	**66,174**	50,307	**11,951**	8,713	**5,979**	8,278	**2,398**	2,388	**86,502**	69,686
Bank borrowings									**140,120**	118,767
Tax payable									**4,950**	3,464
Deferred tax liabilities									**22,741**	16,533
Unallocated liabilities									**4,451**	4,629
Consolidated total liabilities									**258,764**	213,079

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, loans receivable, investments held-for-trading, tax recoverable, deferred tax assets, bank balances and cash and unallocated assets representing property, plant and equipment and deposits, prepayment and other receivables of investment holding companies.

- all liabilities are allocated to operating segments other than current and deferred tax liabilities, bank borrowings and unallocated liabilities representing other payables of investment holding companies.

8. SEGMENT INFORMATION *(continued)*

Other segment information

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investment		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:												
Additions to non-current assets (Note)	**12,900**	6,057	**56**	11	**52**	308	**64,628**	180,549	**58**	205	**77,694**	187,130
Depreciation of property, plant and equipment	**7,055**	6,555	**12**	3	**1,219**	1,281	**3,778**	1,376	**1,639**	1,673	**13,703**	10,888
Amortisation of other intangible asset	**196**	179	**–**	–	**–**	–	**–**	–	**–**	–	**196**	179
(Reversal of) allowance for trade and other receivables	**(88)**	6,066	**–**	(187)	**36**	(48)	**–**	–	**–**	15,000	**(52)**	20,831
(Reversal of) allowance for obsolete inventories	**(294)**	466	**33**	(148)	**202**	(207)	**–**	–	**–**	–	**(59)**	111
Amount regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets												
Finance costs	**200**	298	**173**	132	**–**	14	**1,843**	832	**–**	–	**2,216**	1,276
Interest income	**21**	14	**–**	–	**–**	–	**53**	–	**23,768**	19,811	**23,842**	19,825

Note: Non-current assets included additions to goodwill, investment properties, property, plant and equipment and other intangible assets.

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are carried out in Hong Kong (country of domicile), other regions in the PRC and Singapore.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**546,389**	454,988	**862,217**	1,017,847
The PRC, other than Hong Kong	**162,564**	140,368	**514**	574
Singapore	**21,675**	26,167	**2,361**	3,494
Others	**21,444**	17,989	**–**	–
	752,072	639,512	**865,092**	1,021,915

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 March 2012 and 2011, no revenues from customers contributed over 10% of the total sales of the Group.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Effective interest income on loans receivable	**23,144**	17,891
Interest income on bank deposits	**283**	18
Interest income on investments held-for-trading	**415**	1,916
Total interest income	**23,842**	19,825
Dividends from investments held-for-trading	**2,582**	242
Franchise income	**90**	90
Gain on disposal of property, plant and equipment	**–**	9
Processing fee income	**1,712**	1,369
Sub-lease rental income	**2,554**	2,724
Sundry income	**1,265**	1,209
	32,045	25,468

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**711**	982
Bank borrowings not wholly repayable within five years	**1,505**	294
	2,216	1,276

11. (LOSS) PROFIT BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 12(a))	**4,429**	4,462
Other staff costs		
– Salaries and other benefits	**110,143**	96,887
– Share-based payments excluding directors	**152**	332
– Retirement benefit scheme contributions other than directors	**8,233**	5,960
Total staff costs	**122,957**	107,641
(Reversal of) allowance for trade and other receivables	**(52)**	20,831
Amortisation of other intangible assets, included in selling and distribution expenses	**196**	179
Auditor's remuneration		
– Current year	**2,199**	1,800
– Overprovision in prior year	**(624)**	(414)
	1,575	1,386
Cost of inventories recognised as an expense (including reversal of allowance for obsolete inventories of HK$59,000 (2011: allowance for obsolete inventories of HK$111,000))	**397,699**	337,902
Depreciation of property, plant and equipment	**13,703**	10,888
Exchange loss, net	**1,065**	420
Gain on disposal of property, plant and equipment	**–**	(9)
Management fee paid to a shareholder (note 39)	**960**	996
Research and development expenses	**2,077**	967
Gross rental income	**(9,110)**	(5,304)
Less: direct outgoing expenses	**195**	29
	(8,915)	(5,275)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2011: 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
2012								
Fees	**–**	**–**	**–**	**140**	**140**	**140**	**140**	**560**
Other emoluments:								
Salaries, bonuses and other benefits	**2,454**	**674**	**674**	**–**	**–**	**–**	**–**	**3,802**
Retirement benefit scheme contributions	**36**	**12**	**12**	**–**	**–**	**–**	**–**	**60**
Share-based payment	**7**	**–**	**–**	**–**	**–**	**–**	**–**	**7**
Total emoluments	**2,497**	**686**	**686**	**140**	**140**	**140**	**140**	**4,429**
2011								
Fees	–	–	–	140	140	140	140	560
Other emoluments:								
Salaries, bonuses and other benefits	2,516	649	636	–	–	–	–	3,801
Retirement benefit scheme contributions	36	12	12	–	–	–	–	60
Share-based payment	41	–	–	–	–	–	–	41
Total emoluments	2,593	661	648	140	140	140	140	4,462

12. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS *(continued)*

(b) Employees’ emoluments

Of the five individuals with the highest emoluments in the Group, one was director (2011: one was director) of the Company whose emoluments are set out in note 12(a) above. The emoluments of the remaining four (2011: four) individuals are as follows:

	2012 **HK$’000**	2011 HK$’000
Salaries, bonuses and other benefits	**4,522**	4,548
Retirement benefit scheme contributions	**48**	48
Share-based payment	**39**	72
	4,609	4,668

Their emoluments are within the following bands:

	2012 **Number of employees**	2011 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**2**	2

During the year, no emolument was paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for a director not accepting 1,000,000 units of share options granted on 12 May 2010 (note 32), none of the directors has waived any emoluments during the current and prior years.

13. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Income tax recognised in profit or loss:		
Current tax		
Hong Kong	**8,639**	7,744
Other jurisdictions	**168**	2,713
	8,807	10,457
(Over)underprovision in prior years		
Hong Kong	**(1,852)**	92
Other jurisdictions	**–**	(218)
	(1,852)	(126)
Deferred taxation (note 30)		
Current year	**6,023**	10,335
	12,978	20,666
Income tax recognised in other comprehensive income:		
Deferred taxation (note 30)		
Arising from gain on revaluation on transfer from property, plant and equipment to investment properties	**–**	4,622

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Singapore Income Tax is calculated at 17% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("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 rate for the Group's subsidiaries in the PRC for the current year is 24% (2011: 22% to 25%).

13. INCOME TAX EXPENSE *(continued)*

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

	2012 HK$'000	2011 HK$'000
(Loss) profit before taxation	**(213,865)**	125,561
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(35,288)**	20,718
Tax effect of share of results of associates	**(346)**	(523)
Tax effect of expenses not deductible for tax purpose	**45,951**	2,315
Tax effect of income not taxable for tax purpose	**(4,958)**	(5,841)
Tax effect of tax losses not recognised	**9,848**	2,223
Overprovision in prior years	**(1,852)**	(126)
Utilisation of tax losses previously not recognised	**(344)**	(385)
Utilisation of deductible temporary differences previously not recognised	**(18)**	–
Tax effect of deductible temporary differences not recognised	**10**	2,487
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(25)**	(250)
Others	**–**	48
Income tax expense for the year	**12,978**	20,666

Details of deferred taxation are set out in note 30.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2012 **HK$'000**	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(226,922)**	99,133

	Number of shares 2012	Number of shares 2011
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**2,036,142,969**	1,296,609,837

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the year ended 31 March 2011 has been retrospectively adjusted for the effect of the consolidation of shares as detailed in note 31(b) and the bonus element of the rights issue and the bonus issue as detailed in note 31(c), respectively.

The computations of diluted (loss) earnings per share do not assume the exercise of the outstanding share options of the Company as the exercise prices of those options are higher than the average market price of the shares of the Company for both years.

15. DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final – HK0.3 cents per share (2011: Nil)	**6,108**	–

The 2011 final dividend of HK0.3 cents per share in aggregate of approximately HK$6,108,000 payable to shareholders for the year ended 31 March 2011 has been approved at the annual general meeting of the Company and subsequently paid during the year.

No dividend was proposed during the year ended 31 March 2012 or since the end of the reporting period.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Computer system	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2010	112,706	36,854	33,226	31,076	1,621	10,119	225,602
Exchange realignment	–	231	540	117	104	53	1,045
Additions	–	3,923	393	1,674	–	569	6,559
Arising on acquisition of subsidiaries	122,200	–	–	–	–	–	122,200
Disposals	–	–	–	(6)	–	(125)	(131)
Transfer to investment properties	(105,000)	–	–	–	–	–	(105,000)
At 31 March 2011 and 1 April 2011	129,906	41,008	34,159	32,861	1,725	10,616	250,275
Exchange realignment	–	29	60	19	23	24	155
Additions	27,404	7,868	882	3,696	–	374	40,224
Disposals	–	(1,300)	(518)	(151)	–	(83)	(2,052)
At 31 March 2012	157,310	47,605	34,583	36,425	1,748	10,931	288,602
DEPRECIATION							
At 1 April 2010	14,733	27,995	24,573	29,313	685	8,632	105,931
Exchange realignment	–	83	316	99	90	38	626
Provided for the year	2,049	4,292	2,183	1,521	220	623	10,888
Eliminated on disposals	–	–	–	(6)	–	(125)	(131)
Eliminated on transfer to investment properties	(13,014)	–	–	–	–	–	(13,014)
At 31 March 2011 and 1 April 2011	3,768	32,370	27,072	30,927	995	9,168	104,300
Exchange realignment	–	15	42	15	12	13	97
Provided for the year	3,938	5,186	2,083	1,635	183	678	13,703
Eliminated on disposals	–	(1,300)	(518)	(151)	–	(83)	(2,052)
At 31 March 2012	7,706	36,271	28,679	32,426	1,190	9,776	116,048
CARRYING AMOUNT							
At 31 March 2012	149,604	11,334	5,904	3,999	558	1,155	172,554
At 31 March 2011	126,138	8,638	7,087	1,934	730	1,448	145,975

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

The carrying value of leasehold land and buildings shown above comprises properties situated on land in Hong Kong under medium-term lease.

The Group has pledged leasehold land and buildings to secure general banking facilities granted to the Group. Details of pledge of assets are set out in note 36.

17. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2010	–
Transfer from property, plant and equipment	120,000
Additions during the year	36,349
Arising on acquisition of a subsidiary (note 33)	22,000
Change in fair value recognised in profit or loss	51,551
At 31 March 2011 and 1 April 2011	229,900
Additions during the year	37,224
Change in fair value recognised in profit or loss	36,876
At 31 March 2012	304,000

During the year ended 31 March 2011, property, plant and equipment with a carrying amount of approximately HK$91,986,000 was transferred to investment property. The property was used by the Group as a retail shop before it was leased to an independent third party. The fair value of HK$120,000,000 at the date of transfer has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

17. INVESTMENT PROPERTIES *(continued)*

The fair value of the Group's investment properties at the date of acquisition of a subsidiary, at 31 March 2012 and at 31 March 2011 have been arrived at on the basis of a valuation carried out on respective dates by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. Vigers Appraisal & Consulting Limited are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties are held in Hong Kong under medium-term leases.

The Group's investment properties have been pledged to secure bank borrowings of the Group as detailed in note 36.

18. GOODWILL

	HK$'000
CARRYING AMOUNT	
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	15,335

For the purpose of impairment testing, goodwill has been allocated to two cash-generating units ("CGUs"), including one subsidiary in the production and sale of Chinese pharmaceutical and health food products segment ("Subsidiary A") and one subsidiary in the production and sale of Western pharmaceutical and health food products segment ("Subsidiary B"). The carrying amount of goodwill as at the end of the reporting period has been allocated as follows:

	2012 **HK$'000**	2011 HK$'000
Subsidiary A	**7,700**	7,700
Subsidiary B	**7,635**	7,635
	15,335	15,335

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.

18. GOODWILL *(continued)*

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 CGUs of Subsidiary A and Subsidiary B is 11.40% (2011: 13.45%) and 11.02% (2011: 13.45%), respectively. Cash flows for the CGUs beyond the 5-year period are extrapolated using a steady 3% (2011: 3%) growth rate.

During the years ended 31 March 2012 and 31 March 2011, management of the Group determines that there are no impairment of any of its CGUs containing goodwill.

19. INTERESTS IN ASSOCIATES

	2012 **HK$'000**	2011 HK$'000
Cost of investment in associates (Note a)		
– Listed in Hong Kong (Note b)	**678,318**	678,318
– Unlisted (Note c)	**3,831**	3,831
Less: Impairment losses recognised	**(307,167)**	(37,694)
	374,982	644,455
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(407)**	(17,960)
Share of other reserve	**(2,104)**	–
	372,471	626,495
Market value of listed investments	**369,942**	991,597

19. INTERESTS IN ASSOCIATES *(continued)*

(a) Included in cost of investment in associates is goodwill arising on acquisition of PNG and on unlisted associate. The movement of the cost of investment attributable to goodwill net of accumulated impairment losses is set out below.

	HK$'000
At 1 April 2010	320,308
Arising on acquisition	8,971
At 31 March 2011 and 1 April 2011	329,279
Impairment loss recognised	(269,473)
At 31 March 2012	59,806

As at 31 March 2012, the market value of the shares of PNG held by the Group was approximately HK$369,942,000, whereas its carrying amount was approximately HK$639,415,000. Accordingly, the Group carried out impairment testing to determine whether the Group's interest in associate is impaired.

The recoverable amounts of the carrying amounts of the investment in PNG at the end of the reporting period, which include the carrying amount of goodwill, are determined at the higher of the value in use and the fair value less cost to sell, based on the quoted market price of PNG's shares. The value in use of the investment in PNG is determined with reference to cash flow forecasts of PNG derived from the most recent financial budgets, the business operation and market condition of its property development in the PRC and forestry and logging operations in Papua New Guinea.

(b) As at 31 March 2012 and 2011, the Group holds approximately 49.59% equity interest in PNG.

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

	2012 **HK$'000**	2011 HK$'000
Total assets	**2,135,606**	1,580,778
Total liabilities	**(1,362,964)**	(849,902)
Net assets	**772,642**	730,876
The Group's share of net assets of associate	**310,168**	294,031

19. INTERESTS IN ASSOCIATES *(continued)*

(b) As at 31 March 2012 and 2011, the Group holds approximately 49.59% equity interest in PNG. *(continued)*

	2012	2011
	HK$'000	HK$'000
Revenue	**273,539**	64,565
Profit for the year	**13,597**	50,578
Other comprehensive income (expense)	**32,409**	(31,270)
The Group's share of profit and other comprehensive income of associate for the year	**17,550**	5,204

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

	2012	2011
	HK$'000	HK$'000
Total assets	**10,198**	6,699
Total liabilities	**(3,383)**	(330)
Net assets	**6,815**	6,369
The Group's share of net assets of associates	**2,497**	3,185
Revenue	**26,023**	25,907
Profit and total comprehensive income for the year	**876**	494
The Group's share of total comprehensive income of associates for the year	**219**	305

Details of the Group's principal associates at 31 March 2012 and 2011 are set out in note 42.

20. OTHER INTANGIBLE ASSET

	Trademark HK$'000
COST	
At 1 April 2010	1,780
Addition during the year	22
At 31 March 2011 and 1 April 2011	1,802
Addition during the year	246
At 31 March 2012	2,048
AMORTISATION	
At 1 April 2010	941
Provided for the year	179
At 31 March 2011 and 1 April 2011	1,120
Provided for the year	196
At 31 March 2012	1,316
CARRYING AMOUNT	
At 31 March 2012	732
At 31 March 2011	682

The trademark has finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

21. LOANS RECEIVABLE

Details of loans receivable are as follows:

	Name of borrower (Note a)	Maturity date	Effective interest rate per annum	Carrying amount 2012 HK$'000	Carrying amount 2011 HK$'000
8% unsecured HK$190 million loan	PNG	12 November 2013	7.95%	**193,789**	193,748
8% unsecured HK$10 million loan	PNG	9 July 2014 (Note b)	7.43% (Note b)	**10,583**	11,359
8% unsecured HK$15 million loan	PNG	10 August 2013	7.43%	**16,969**	15,766
				221,341	220,873
8% unsecured HK$60 million loan	China Agri-Products	30 September 2012	7.80%	**65,760**	61,052
8% unsecured HK$15 million loan	China Agri-Products	30 September 2012	7.85%	**16,260**	15,072
				82,020	76,124
				303,361	296,997

Notes:

(a) China-Agri Products is an 28.22% associate of PNG. In addition, Mr. Chan Chun Hong, Thomas, a director of the Company, is also the chairman of China Agri-Products and PNG, companies listed on the Stock Exchange.

(b) On 11 July 2011, the Group and PNG have entered into a supplemental loan agreement, pursuant to which the Group agreed to extend the repayment date under the original loan agreement for three years upon the maturity date from 9 July 2011 to 9 July 2014. Save as amended by the supplemental loan agreement, all other terms and conditions of the loan agreement remain unchanged and effective interest rate recomputed as 7.43% (2011:7.70%).

21. LOANS RECEIVABLE *(continued)*

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Non-current assets	**221,341**	285,638
Current assets	**82,020**	11,359
	303,361	296,997

At the end of the reporting period, the loans receivable are neither past due nor impaired. The credit quality of these loans is considered good as the directors assessed that PNG and China Agri-Products could generate sufficient funds from their normal course of business for repayment of the loans upon maturity. There is no significant change in the credit quality during the year.

22. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials and consumables	**32,270**	31,403
Work-in-progress	**6,967**	3,275
Finished goods	**73,523**	60,750
	112,760	95,428

23. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**89,891**	68,561
Less: accumulated impairment	**(3,207)**	(3,260)
	86,684	65,301
Rental and other deposits	**21,654**	18,512
Prepayments	**19,235**	9,607
Other receivables	**27,761**	26,933
Less: accumulated impairment	**(15,000)**	(15,000)
	53,650	40,052
Total trade and other receivables	**140,334**	105,353

23. TRADE AND OTHER RECEIVABLES *(continued)*

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) presented based on the invoice date at the end of the reporting period.

	2012 **HK$'000**	2011 HK$'000
0–30 days	**48,057**	38,385
31–60 days	**17,638**	10,249
61–120 days	**16,681**	15,586
Over 120 days	**4,308**	1,081
	86,684	65,301

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. 85% (2011: 88%) of the trade receivables that are neither past due nor impaired are with good credit quality in view of good historical repayment records.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$13,057,000 (2011: HK$7,670,000) which are past due at the end of the reporting period 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 based on the due date:

	2012 **HK$'000**	2011 HK$'000
0–30 days	**9,571**	6,495
31–60 days	**2,788**	932
61–120 days	**698**	157
121–180 days	**–**	86
	13,057	7,670

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.

23. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	HK$'000
Balance at the beginning of the year	**18,260**	19,690
Exchange realignment	**–**	8
(Reversal) recognition of impairment losses on trade and other receivables	**(52)**	20,831
Amounts written off as uncollectible	**(1)**	(22,269)
Balance at the end of the year	**18,207**	18,260

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$3,207,000 (2011: HK$3,260,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on their settlement records. The Group does not hold any collateral over these balances.

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of approximately HK$15,000,000 (2011: HK$15,000,000). At 31 March 2012 and 2011, the amount represents full impairment of outstanding advances to a former subsidiary which are considered irrecoverable by the management as the amount was advanced before the subsidiary was disposed of in the prior year and has not been subsequently settled after the end of the reporting period. The Group does not hold any collateral over these balances.

At the end of the reporting period, the trade and other receivables that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2012	2011
	HK$'000	HK$'000
RMB	**4,078**	–
SGD	**330**	94
HK$	**–**	358
USD	**–**	3

24. AMOUNTS DUE FROM ASSOCIATES

	2012	2011
	HK$'000	HK$'000
Trade receivables due from associates	**2,801**	2,933

Trade receivables due from associates are unsecured, interest-free, and the Group allows a credit period of 90 days.

The aged analysis of the trade receivables due from associates presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	HK$'000
0–30 days	**1,416**	1,762
31–60 days	**696**	638
61–120 days	**689**	533
	2,801	2,933

As at 31 March 2012 and 2011, 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

	2012	2011
	HK$'000	HK$'000
Listed equity securities in Hong Kong	**56,221**	111,181
Listed debt securities in Singapore	**–**	15,284
Unlisted mutual funds outside Hong Kong	**1,873**	–
	58,094	126,465

The fair value of unlisted mutual funds is determined based on the quoted market prices provided by fund administrators with reference to price derived from the over-the-counter market.

25. INVESTMENTS HELD-FOR-TRADING *(continued)*

At the end of the reporting period, the investments held-for-trading that are denominated in currencies, other than the functional currency of respective group entities, are set out below:

	2012	2011
	HK$'000	HK$'000
USD	**1,873**	15,284

26. 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 0.01% to 2.1% (2011: 0.001% to 0.02%) per annum.

At the end of the reporting period, the bank and cash balances that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2012	2011
	HK$'000	HK$'000
USD	**1,226**	1,281
EUR	**1,065**	21
SGD	**626**	351
RMB	**93**	249
HK$	**47**	2,963
AUD	**–**	5

27. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	**45,648**	38,551
Accrual of salaries and commission	**9,672**	8,211
Accrual of purchases	**6,616**	786
Accrual of advertising and promotion	**4,597**	4,712
Rental deposits received	**2,933**	2,535
Other payables and accruals	**21,469**	19,502
	90,935	74,297

The aged analysis of trade payables presented based on the invoice date is as follows.

	2012 HK$'000	2011 HK$'000
0–30 days	**22,581**	25,508
31–60 days	**20,126**	11,857
61–120 days	**309**	457
Over 120 days	**2,632**	729
	45,648	38,551

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 end of the reporting period, the trade and other payables that are denominated in currencies, other than the functional currencies of respective group entities, are set out below:

	2012 HK$'000	2011 HK$'000
RMB	**7,596**	4,019
NTD	**2,422**	–
USD	**1,858**	443
SGD	**1,537**	–
HK$	**940**	1,891
EUR	**413**	–
GBP	**334**	–

28. BANK BORROWINGS

	2012 **HK$'000**	2011 HK$'000
Secured	**130,120**	106,767
Unsecured	**10,000**	12,000
	140,120	118,767
The above bank borrowings are repayable as follows:		
On demand or within one year	**69,008**	33,329
More than one year, but not exceeding two years	**11,327**	14,327
More than two years, but not exceeding five years	**24,880**	31,480
More than five years	**34,905**	39,631
	140,120	118,767
Less: Amount due within one year shown under current liabilities (Note)	**(69,008)**	(33,329)
Amount due after one year	**71,112**	85,438

Note: The amount included bank loans of approximately HK$54,681,000 (2011: HK$19,001,000) that contain a repayment on demand clause.

Details of assets that have been pledged as collateral to secure borrowings are disclosed in note 36.

During the year, the Group obtained new bank loans in an amount of approximately HK$39.6 million (2011: HK$56.8 million). These loans carry variable interest at 1.45% to 2.86% (2011: 1.50% to 2.08%) per annum. The proceeds were used to finance the acquisition of property, plant and equipment and for general working capital purpose of the Group.

28. BANK BORROWINGS *(continued)*

Details of bank borrowings are as follows:

	Maturity date	Effective interest rate per annum		Carrying amount	
		2012	2011	**2012**	2011
				HK$'000	HK$'000
Variable-rate borrowings:					
3-month HIBOR plus 1.45% secured HK$ loan (1)	July 2014	**1.85%**	1.63%	**17,900**	21,500
3-month HIBOR plus 1.45% secured HK$ loan (2)	July 2013	**1.85%**	1.65%	**9,000**	15,000
3-month HIBOR plus 1.28% unsecured HK$ loan (3)	October 2015	**1.53%**	1.51%	**10,000**	12,000
3-month HIBOR plus 1.30% secured HK$ loan (4)	July 2021	**1.68%**	2.02%	**6,375**	7,002
3-month HIBOR plus 1.45% secured HK$ loan (5)	March 2023	**1.85%**	1.70%	**8,213**	8,960
3-month HIBOR plus 1.45% secured HK$ loan (6)	June 2023	**1.85%**	1.70%	**13,500**	14,700
3-month HIBOR plus 1.30% secured HK$ loan (7)	October 2024	**1.70%**	1.50%	**17,850**	19,250
3-month HIBOR plus 1.28% secured HK$ loan (8)	November 2025	**1.68%**	1.46%	**18,975**	20,355
3-month HIBOR plus 1.70% secured HK$ loan (9) Δ	August 2031	**2.00%**	–	**9,761**	–
1-month HIBOR plus 1.25% secured HK$ loan (10) Δ	July 2026	**1.55%**	–	**16,939**	–
1-month HIBOR plus 1.25% secured HK$ loan (11) Δ	November 2020	**2.80%**	–	**11,607**	–
				140,120	118,767

28. BANK BORROWINGS *(continued)*

(1) Repayable in thirty-three instalments commencing on April 2006 to July 2014.
(2) Repayable in twenty instalments commencing on June 2008 to July 2013.
(3) Repayable in quarterly instalments commencing on July 2011 to October 2015.
(4) Repayable in monthly instalments commencing on November 2010 to July 2021.
(5) Repayable in quarterly instalments commencing on March 2011 to March 2023.
(6) Repayable in quarterly instalments commencing on March 2011 to June 2023.
(7) Repayable in quarterly instalments commencing on January 2011 to October 2024.
(8) Repayable in quarterly instalments commencing on February 2011 to November 2025.
(9) Repayable in monthly instalments commencing on September 2011 to August 2031.
(10) Repayable in monthly instalments commencing on August 2011 to July 2026.
(11) Repayable in monthly instalments commencing on December 2011 to November 2020.
Δ New bank loans obtained during the year.

29. DEFERRED FRANCHISE INCOME

	2012 **HK$'000**	2011 HK$'000
At the beginning of the year	**18**	18
Additions during the year	**90**	90
Recognised during the year	**(90)**	(90)
At the end of the year	**18**	18
Less: Amount due within one year shown under current liabilities	**(18)**	(18)
	–	–

30. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Allowance for bad and doubtful debt HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 April 2010	(1,739)	(1,304)	–	(3,043)
Charge to profit or loss	1,041	788	8,506	10,335
Charge to other comprehensive income	–	–	4,622	4,622
Acquisition of subsidiaries	297	–	834	1,131
Exchange adjustment	(26)	–	–	(26)
At 31 March 2011 and 1 April 2011	(427)	(516)	13,962	13,019
Charge to profit or loss	(62)	1	6,084	6,023
Exchange adjustment	3	–	–	3
At 31 March 2012	(486)	(515)	20,046	19,045

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 **HK$'000**	2011 HK$'000
Deferred tax assets	**(3,696)**	(3,514)
Deferred tax liabilities	**22,741**	16,533
	19,045	13,019

At the end of the reporting period, the Group has unused tax losses of approximately HK$192,776,000 (2011: HK$135,178,000) available to offset against future profits, of which HK$190,751,000 (2011: HK$133,153,000) 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 the end of the reporting period, the Group has deductible temporary differences of approximately HK$15,431,000 (2011: HK$15,371,000) in respect of accelerated accounting depreciation and allowance for bad and doubtful debts. 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.

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2011 and 31 March 2012	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2010	6,071,939,188	60,719
Issue of shares (Note a)	1,200,000,000	12,000
Consolidation of shares (Note b)	(6,981,061,621)	–
Adjustment to nominal value (Note b)	–	(69,811)
Rights issue and bonus issue of shares (Note c)	1,745,265,402	17,453
At 31 March 2011, 1 April 2011 and 31 March 2012	2,036,142,969	20,361

Notes:

(a) On 12 April 2010, the Company and Kingston Securities Limited ("Kingston"), the placing agent, entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through Kingston, on a best effort basis, up to 1,200,000,000 shares of the Company to not fewer than six independent places at a price of HK$0.053 per share. The transaction has been completed on 22 April 2010.

These shares were issued under the general mandate granted to the directors of the Company at a special general meeting of the Company held on 2 February 2010. The net proceeds of approximately HK$61.5 million from the placing agreement will be used for repayment of interest bearing debts, expansion of the Group's Chinese and Western health food and pharmaceutical business and as general working capital of the Group.

(b) On 5 August 2010, the Company proposed a capital reorganisation ("Capital Reorganisation") in which every 25 shares of par value of HK$0.01 each in the issued share capital of the Company will be consolidated into one consolidated share ("Consolidated Share") of par value of HK$0.25 each, and afterwards the issued share capital of the Company will be reduced from HK$0.25 each per Consolidated Share in issue to HK$0.01 each. The reduction of issued share capital to the extent of HK$0.24 per Consolidated Share will be applied to offset the accumulated losses of the Group.

The Capital Reorganisation was approved by independent shareholders at a special general meeting of the Company and completed on 21 September 2010.

(c) On 5 August 2010, the Company proposed a rights issue ("Rights Issue") on the basis of five rights shares for every one Consolidated Share in issue, subject to the completion of the Capital Reorganisation, at the subscription price of HK$0.207 per rights share.

Subject to the satisfaction of the conditions of the Rights Issue, bonus shares will be issued to the holders of the rights shares on the basis of one bonus share for every five rights shares taken up under the Rights Issue ("Bonus Issue").

The Rights Issue and Bonus Issue were approved by independent shareholders at a special general meeting of the Company. On 25 October 2010, a total of 1,745,265,402 shares comprising 1,454,387,835 rights shares and 290,877,567 bonus shares were allotted to the qualifying shareholders on a fully underwritten basis. The net proceeds of the Rights Issue of approximately HK$293.7 million are used for expansion of the Group's Chinese and Western health food and pharmaceutical business, the acquisition of subsidiaries from a subsidiary of Wang On Group Limited (note 33), and as general working capital of the Group.

All the ordinary shares issued for the year ended 31 March 2011 rank pari passu with the then existing ordinary shares in all respects.

32. 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 Group. Pursuant to the 2004 Scheme, which will expire on 17 September 2013, the Board 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 approval of the 2004 Scheme.

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.

32. SHARE OPTION SCHEME *(continued)*

2004 Scheme *(continued)*

The following tables disclose movements of the Company's share options granted under the 2004 Scheme during the year ended 31 March 2012:

Date of grant	Exercise price per share HK$	Adjusted exercise price per share HK$ (Note)	Exercisable period	Number of options: Outstanding at 1.4.2011	Number of options: Lapsed/ forfeited during the year	Number of options: Outstanding at 31.3.2012
Director						
Tang Mui Fun						
3.1.2007	0.415	3.4488	2.1.2008 to 1.1.2012	78,214	(78,214)	**–**
2.1.2008	0.226	1.8782	2.1.2009 to 1.1.2013	78,214	–	**78,214**
8.1.2009	0.145	1.2050	8.1.2010 to 7.1.2019	78,214	–	**78,214**
				234,642	(78,214)	**156,428**
Employees						
3.1.2007	0.415	3.4488	2.1.2008 to 1.1.2012	316,470	(316,470)	**–**
2.1.2008	0.226	1.8782	2.1.2009 to 1.1.2013	474,103	(38,506)	**435,597**
8.1.2009	0.145	1.2050	8.1.2010 to 7.1.2019	649,786	(38,506)	**611,280**
12.5.2010	0.052	0.4321	12.5.2011 to 11.5.2020	1,016,793	(60,166)	**956,627**
				2,457,152	(453,648)	**2,003,504**
				2,691,794	(531,862)	**2,159,932**
Exercisable at the end of the year				1,383,801		**1,490,293**
Weighted average exercise price				HK$1.380	HK$2.831	**HK$1.023**

Note: The exercise price and number of share options was adjusted as a result of the Capital Reorganisation and Rights Issue and Bonus Issue of the Company during the year ended 31 March 2011 (note 31(b) and 31(c)).

32. SHARE OPTION SCHEME *(continued)*

2004 Scheme *(continued)*

The following tables disclose movements of the Company's share options granted under the 2004 Scheme during the year ended 31 March 2011:

Date of grant	Exercise price per share HK$	Adjusted exercise price per share HK$ (Note)	Exercisable period	Number of options: Outstanding at 1.4.2010	Granted during the year	Forfeited during the year	Adjusted during the year	Outstanding at 31.3.2011
Director								
Tang Mui Fun								
3.1.2007	0.415	3.4488	2.1.2008 to.1.1.2012	650,000	–	–	(571,786)	**78,214**
2.1.2008	0.226	1.8782	2.1.2009 to 1.1.2013	650,000	–	–	(571,786)	**78,214**
8.1.2009	0.145	1.2050	8.1.2010 to 7.1.2019	650,000	–	–	(571,786)	**78,214**
				1,950,000	–	–	(1,715,358)	**234,642**
Employees								
3.1.2007	0.415	3.4488	2.1.2008 to 1.1.2012	2,750,000	–	(120,000)	(2,313,530)	**316,470**
2.1.2008	0.226	1.8782	2.1.2009 to 1.1.2013	4,290,000	–	(350,000)	(3,465,897)	**474,103**
8.1.2009	0.145	1.2050	8.1.2010 to 7.1.2019	5,750,000	–	(350,000)	(4,750,214)	**649,786**
12.5.2010	0.052	0.4321	12.5.2011 to 11.5.2020	–	8,450,000	–	(7,433,207)	**1,016,793**
				12,790,000	8,450,000	(820,000)	(17,962,848)	**2,457,152**
				14,740,000	8,450,000	(820,000)	(19,678,206)	**2,691,794**
Exercisable at the end of the year				8,284,000				**1,383,801**
Weighted average exercise price				HK$0.234	HK$0.052	HK$0.127	N/A	**HK$0.166**

Note: The exercise price and number of share options was adjusted as a result of the Capital Reorganisation and Rights Issue and Bonus Issue of the Company during the year ended 31 March 2011 (note 31(b) and 31(c)).

32. SHARE OPTION SCHEME *(continued)*

2004 Scheme *(continued)*

For the years ended 31 March 2012 and 31 March 2011, 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 2012, no share options were granted.

During the year ended 31 March 2011, 8,450,000 units of share options were granted to employees on 12 May 2010, where the share price of the Company at the date immediately before the date of grant was HK$0.052. The estimated fair value of the options granted during the year is approximately HK$334,000.

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

	2011
Grant date	**12 May 2010**
Share price	**HK$0.052**
Exercise price	**HK$0.052**
Expected volatility	**92.915%**
Risk-free rate	**2.718%**
Expected dividend yield	**0%**
Sub optimal early exercise factor	**2.2 times**
Expected life	**10 years**

Expected volatility for the share options granted during year ended 31 March 2011 was determined by using the historical volatility of the closing price of the shares of the Company over the previous ten years. Based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations, a 10-year expected life was applied in the model.

The Group recognised the total expense of approximately HK$159,000 (2011: HK$373,000) for the year ended 31 March 2012 in relation to share options granted by the Company.

33. ACQUISITION OF ASSETS THROUGH PURCHASE OF SUBSIDIARIES

On 6 August 2010, Guidepost Investments Limited ("Guidepost"), a wholly-owned subsidiary of the Company, and East Run Investments Limited ("East Run"), a wholly-owned subsidiary of Wang On which is a shareholder of the Company, entered into a sale and purchase agreement ("the Agreement") pursuant to which, Guidepost agreed to acquire and East Run agreed to dispose of, the entire issued share capital and the shareholder loans of Smart First Investment Limited ("Smart First"), Info World Investment Limited ("Info World"), Grand Quality Development Limited ("Grand Quality"), Star Sense Limited ("Star Sense") and Full Gainer Investment Limited ("Full Gainer"), all of which are wholly-owned subsidiaries of East Run, for a cash consideration of approximately HK$117,767,000.

Each of Smart First, Info World, Grand Quality, Star Sense and Full Gainer holds commercial properties in various locations in Hong Kong. At the date of acquisition, the properties are managed under leases to a subsidiary and an associate of the Group for the retailing of Chinese pharmaceutical products in return for a fixed monthly rental income. The acquisition allows the Group to save the rental expenses for its retail shops and to increase its rental income from investment properties.

33. ACQUISITION OF ASSETS THROUGH PURCHASE OF SUBSIDIARIES *(continued)*

The acquisition was approved by independent shareholders at a special general meeting of the Company and completed on 28 October 2010. This acquisition has been accounted for as acquisition of assets. The fair values of the identifiable assets and liabilities acquired are not significantly different from their respective carrying amounts determined in accordance with HKFRSs immediately before the combination. The net assets acquired in the transaction are as follows:

	Amount recognised at the date of acquisition					
	Smart First	**Info World**	**Grand Quality**	**Star Sense**	**Full Gainer**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired:						
Property, plant and equipment	25,500	–	39,400	19,400	37,900	122,200
Investment property	–	22,000	–	–	–	22,000
Trade and other receivables	3	1,135	5	6	5	1,154
Bank balances and cash	246	371	840	139	56	1,652
Other payables and accruals	(174)	(158)	(303)	(189)	(203)	(1,027)
Tax payable	–	(48)	–	(31)	(147)	(226)
Bank borrowings	–	–	–	(7,255)	(19,600)	(26,855)
Deferred tax liabilities	–	(1,131)	–	–	–	(1,131)
Total consideration satisfied by cash	25,575	22,169	39,942	12,070	18,011	117,767
Net cash outflow arising on acquisition:						
Cash consideration paid	(25,575)	(22,169)	(39,942)	(12,070)	(18,011)	(117,767)
Bank balances and cash acquired	246	371	840	139	56	1,652
	(25,329)	(21,798)	(39,102)	(11,931)	(17,955)	(116,115)

The fair value of property, plant and equipment and investment property at the date of acquisition have been arrived at on the basis of a valuation carried out by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. Vigers Appraisal & Consulting Limited are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The fair value of trade and other receivables at the date of acquisition approximates to their gross contractual amounts.

34. DISPOSAL OF A SUBSIDIARY

On 19 April 2010, the Group disposed of its entire equity interest in Hunan Xiangya Pharmaceutical Company Limited ("Hunan Xiangya") to Hunan Fangsheng Pharmaceutical Co Limited, an independent third party, for a cash consideration of HK$37,350,000.

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

	HK$'000
Net assets disposed of:	
Property, plant and equipment	23,118
Prepaid lease payments	1,087
Other intangible assets	2,157
Inventories	3,244
Trade and other receivables	6,683
Tax payable	(52)
Bank balances and cash	3,694
Trade and other payables	(8,964)
Bank borrowings	(171)
Advances from non-controlling shareholders	(3,314)
Amounts due to group companies	(15,649)
	11,833
Release of translation reserve	(486)
Waiver of amounts due from Hunan Xiangya	1,016
Non-controlling interest	(4,168)
Gain on disposal	29,155
Total consideration	37,350
Satisfied by:	
Cash	26,589
Deposit received	5,000
Deferred consideration receivable, included in other receivables	5,761
	37,350
Net cash inflow arising on disposal:	
Cash consideration	26,589
Bank balances and cash disposed of	(3,694)
	22,895

The Group was charged taxes of approximately HK$1,668,000 in relation to the disposal.

34. DISPOSAL OF A SUBSIDIARY *(continued)*

The deferred consideration was due in April 2011 in accordance with terms of the disposal agreement. As at 31 March 2012 and 2011, no impairment loss has been recognised by the Group as the amount was partially settled by the buyer during the current year and the management of the Group has been negotiating with the buyer for settlement of outstanding amount and considers the amount recoverable based on past settlement records.

Other than as disclosed above, the impact on the disposal of Hunan Xiangya on the Group's results and cash flows in the year ended 31 March 2011 was insignificant.

35. RETIREMENT BENEFIT PLANS

The Group participates in 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 Occupational Retirement Schemes Ordinance Scheme prior to the establishment of the MPF Scheme were switched to the MPF Schemes, 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 (save for a director of the Company to whom the Group contributes HK$3,000 per month), 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$8,293,000 (2011: HK$6,020,000) charged to profit or loss represents contributions paid and payable to these schemes by the Group in respect of the current accounting year. As at 31 March 2012, contributions of approximately HK$350,000 (2011: HK$310,000) due in respect of the reporting period had not been paid over to the schemes.

36. PLEDGE OF ASSETS

	2012 **HK$'000**	2011 HK$'000
Leasehold land and buildings	**144,449**	120,824
Investment properties	**304,000**	206,100
	448,449	326,924

37. CAPITAL COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	**376**	126
– investment property	**–**	31,752
	376	31,878

38. OPERATING LEASES

The Group as lessee:

The Group made minimum lease payments of approximately HK$77,954,000 (2011: HK$66,599,000) under operating leases during the year in respect of its office properties and retail shops.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**66,298**	50,100
In the second to fifth year inclusive	**113,662**	88,040
Over five years	**–**	13,160
	179,960	151,300

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$18,979,000 (2011: HK$13,375,000).

38. OPERATING LEASES *(continued)*

The Group as lessor:

Property rental income and sub-lease income earned during the year was approximately HK$9,110,000 (2011: HK$5,304,000) and HK$2,554,000 (2011: HK$2,724,000), respectively. The properties are expected to generate rental yields of 3.0% (2011: 3.5%) on an ongoing basis.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**9,599**	9,323
In the second to fifth year inclusive	**2,302**	9,892
	11,901	19,215

Leases are negotiated for a term ranging from two to three years.

39. RELATED PARTY DISCLOSURES

During the year, the Group had significant transactions and balances with related parties. 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 end of the reporting period, are as follows:

	Nature of related party	Transactions	2012 HK$'000	2011 HK$'000
(i)	Wang On Group Limited and its subsidiaries ("Wang On Group") (Note)	Rental received by the Group	**1,824**	1,680
		Rental paid by the Group	**2,490**	2,337
		Management fee paid by the Group	**960**	996
		Sales of pharmaceutical products by the Group	**4,610**	5,177
(ii)	Associates	Sales of Chinese pharmaceutical products by the Group	**17,921**	16,224
		Rental received by the Group	**1,280**	782
		Effective interest income on loans received by the Group	**17,249**	16,766
		Management and promotion fees received by the Group	**855**	1,203

Note: As at 31 March 2012, Rich Time, a subsidiary of Wang On Group, held 25% (2011: 9.15%) shareholding in the Company and is a substantial shareholder of the Company.

39. RELATED PARTY DISCLOSURES *(continued)*

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with Wang On Group, which has been included in note 38 and fall due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**2,490**	1,470
In the second to fifth year inclusive	**2,225**	2,505
	4,715	3,975

Leases are negotiated for a term ranging from one to three years.

The Group as lessor:

At the end of the reporting period, the Group had contracted for future minimum lease payments under non-cancellable operating leases with related parties, which has been included in note 38 and fall due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**1,200**	1,906
In the second to fifth year inclusive	**245**	420
	1,445	2,326

Leases are negotiated for a term ranging from one to three years.

39. RELATED PARTY DISCLOSURES *(continued)*

Compensation of key management personnel

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

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**4,362**	4,361
Post-employment benefits	**60**	60
Share-based payment	**7**	41
	4,429	4,462

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 end of the reporting period are set out in the consolidated statement of financial position and notes 21 and 24.

40. LOSS OF THE COMPANY FOR THE YEAR

The loss of the Company for the year ended 31 March 2012 is approximately HK$178,488,000 (2011: HK$86,350,000).

41. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ operation	Paid up issued share/ registered capital	Proportion of issued share/registered capital held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activity
Asia Brighter Investment Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Billion Good Investment Limited	Hong Kong	HK$2 Ordinary share	**–**	–	**99.79%**	99.79%	Property holding
CNT Health Food Pte Limited	Singapore	Singapore $1,694,737 Ordinary share	**–**	–	**95.00%**	95.00%	Production and sale of bottled birds' nest drinks and herbal essence products
Full Gainer [Δ]	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Grand Quality [Δ]	Hong Kong	HK$2 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Info World [Δ]	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
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
Richest Ever Limited	Hong Kong	HK$2 Ordinary share	**–**	–	**99.79%**	99.79%	Trading of Chinese pharmaceutical and health food products
Smart First [Δ]	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Smart Star Investment Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Star Sense [Δ]	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment
Union Target Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	100.00%	Property investment

41. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operation	Paid up issued share/ registered capital	Proportion of issued share/registered capital held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activity
Topmate Investment Limited ^	Hong Kong	HK$1 Ordinary share	**–**	–	**100.00%**	–	Property investment
Total Smart Investments Limited	British Virgin Islands	USD1 Ordinary share	**100.00%**	100.00%	**–**	–	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
深圳市延養堂醫藥有限公司#	PRC	RMB7,000,000 Registered capital	**–**	–	**99.79%**	99.79%	Retail 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.

Δ The subsidiaries are acquired by the Group for the year ended 31 March 2011 (note 33).

^ The subsidiary was set up by the Group during the current year.

\# A wholly-owned foreign enterprise in the PRC.

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

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.

42. PARTICULARS OF ASSOCIATES

Details of the Group's principal associates at 31 March 2012 and 2011 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
				2012	2011	
Creation Sino Limited	Incorporated	Hong Kong	Ordinary	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
Fortune Way Trading Limited	Incorporated	Hong Kong	Ordinary	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
PNG *	Incorporated	Cayman Islands	Ordinary	**49.59%**	49.59%	Investment holding
Winning Forever Limited	Incorporated	Hong Kong	Ordinary	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products

* Listed on the Stock Exchange. The principal activities of its subsidiaries are the sale of fresh pork meat and related produce, property development in the PRC, and forestry and logging operations in Papua New Guinea.

43. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2012 **HK$'000**	2011 HK$'000
ASSETS		
Investment in a subsidiary	**–**	–
Other receivables	**6,289**	5,720
Amounts due from subsidiaries	**1,506,713**	1,677,372
Investments held-for-trading	**9,745**	12,829
Bank balances and cash	**40,694**	44,716
	1,563,441	1,740,637
LIABILITIES		
Other payables and accruals	**1,969**	2,318
Amounts due to subsidiaries	**214,438**	206,848
	216,407	209,166
NET ASSETS	**1,347,034**	1,531,471

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2012

RESULTS

	Year ended 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	477,021	496,151	529,305	639,512	**752,072**
Profit (loss) before taxation	85,786	(345,764)	47,907	125,561	**(213,865)**
Income tax expense	(2,404)	(178)	(2,876)	(20,666)	**(12,978)**
Profit (loss) for the year	83,382	(345,942)	45,031	104,895	**(226,843)**
Attributable to:					
Owners of the Company	83,767	(345,906)	45,797	99,133	**(226,922)**
Non-controlling interests	(385)	(36)	(766)	5,762	**79**
	83,382	(345,942)	45,031	104,895	**(226,843)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,158,947	753,120	1,236,901	1,801,236	**1,628,625**
Total liabilities	(263,680)	(153,571)	(131,832)	(213,079)	**(258,764)**
	895,267	599,549	1,105,069	1,588,157	**1,369,861**
Equity attributable to owners of the Company	889,001	592,736	1,098,988	1,580,421	**1,362,051**
Non-controlling interests	6,266	6,813	6,081	7,736	**7,810**
	895,267	599,549	1,105,069	1,588,157	**1,369,861**