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Wai Yuen Tong Medicine Holdings Limited

(Stock Code : 897)

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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, *MH*
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Siu Man Ho, Simon, *Chairman*
Mr. Leung Wai Ho, *MH*
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. Leung Wai Ho, *MH*
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
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

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y T Ho & Co

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

BOARD LOT

10,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

HOMEPAGE

http://www.wyth.net

STOCK CODE

897

CHAIRMAN'S STATEMENT

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

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 (collectively the "**Group**") for the year ended 31 March 2013.

FINANCIAL RESULTS

During the year under review, the Group reported turnover and gross profit of approximately HK$808.5 million and approximately HK$365.3 million, representing an increase of approximately 7.5% and approximately 3.1%, respectively, when compared with those of the previous financial year. Benefiting from the vigorous demand for Chinese and western pharmaceutical products, health food and personal care products in both Hong Kong and the People's Republic of China (the "**PRC**") markets, the Group resumed profitability during the year under review, with profit attributable to owners of the parent amounting to approximately HK$148.4 million for the year ended 31 March 2013.

PROPOSED FINAL DIVIDEND

In light of the uncertain business environment, and to reserve capital for the Group's future business development, the Board is of the opinion that the Group should maintain a strong cash flow and recommends the payment of a final dividend of HK0.3 cents per ordinary share for the year ended 31 March 2013, payable on or around Wednesday, 11 September 2013 subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 22 August 2013.

BUSINESS REVIEW

Uncertain economic outlook continued to affect consumer sentiment. Taking the advantage of the increasing number of Chinese tourists visiting Hong Kong, spending on Chinese drugs, health food and personal care products, however, was comparably steady in 2012 and the first quarter of 2013, partly attributable to the increasing number of Chinese tourists and people's attaching greater importance to personal health and well-being, and partly due to rising popularity of Chinese medicine and therapy. Leveraging the prestigious "Wai Yuen Tong" Chinese medicine brand, the Group introduced new Chinese herbal products that target city dwellers with hectic lifestyles to broaden customer base, while launching a series of proactive marketing campaigns to promote brand awareness and product image. All these efforts helped boost demand for the Group's Chinese pharmaceutical and health food products, leading to growth in same store sales during the year under review.

In addition, the Group's strategic move to provide Chinese medicine consultation services had been proven successful in consolidating its leading position in the traditional Chinese medicine and health food products market. Following the successful establishment of its first integrated Chinese medical centre – Wai Yuen Tong Practicare Imperial in Kowloon, in 2011, the Group has been exploring to expand its Chinese medicine consultation services to Southern China. During the year, the Group opened Chinese medicine consultation centres in Shenzhen and will explore to further expand such centres in different cities/provinces in the PRC.

The Group's turnover of western pharmaceutical products business under the brand names of "Madame Pearl's" and "Pearl's" decreased by approximately 13.3% during the year under review. The drop in this segment was mainly due to the special control measure imposed by the Mainland China government authority banning the sales of cough syrup products containing codeine in Mainland China market temporarily and such control measure has been withdrawn in May 2013 and the sales of cough syrup products containing codeine in Mainland China market has been resumed. The "Pearl's", which was launched in 2010 as a secondary brand, has now successfully developed its own customer groups. Boasting a unique niche in personal health care products, the "Pearl's" business segment has developed separate product lines targeting adults and children and launched a variety of products, thereby further enriching its product portfolio.

Nevertheless, embargo on the import of dry birds' nest and bottled birds' nest by Mainland China and the incident of fake birds' nest accounted for a significant decrease in sales of bottled birds' nest drink of the Group during the year under review. The Group strived to diversify its product range by introducing more herbal essence products, and expand its distribution network to other overseas Chinese communities, so as to minimise the impact from the reduced sales of bottled bird's nest products.

In view of expanding its manufacturing business as well as to fulfill stricter quality requirements of the pharmaceutical industry, during the year under review, the Group was granted a lease of a land lot (the "**Land**") with a total site area of 8,545.56 sq.m. at Yuen Long Industrial Estate by Hong Kong Science and Technology Parks Corporation ("**HKSTPC**") and is planning to construct a new factory to house its western pharmaceutical (drug) manufacturing and traditional Chinese medicine manufacturing. Upon fulfilling certain conditions including the completion of a new factory building, installation of new machinery and operation commencement within the respective specified periods, HKSTPC will grant to the Group a lease of the Land for a term up to 2047. The Land will be developed into a five-storey factory building.

To finance its business expansion, the Group conducted two fund raising exercises during the year under review by way of private placing and raise an aggregate net proceeds of approximately HK$153.7 million, out of which approximately HK$18.3 million was utilised for acquisition of the land and approximately HK$71.7 million was/will be utilised for the construction of the new factory at the Land.

Apart from focusing its resources on traditional Chinese and western pharmaceutical products, health food, personal care products and investment properties, the Group is optimistic about the investment in PNG Resources Holdings Limited ("**PNG**"), especially in the property development in the PRC.

FUTURE OUTLOOK

2013 will continue to be challenging. Given current macro-economic headwinds and more cautious spending from Chinese tourists, the local retail market has started to exhibit signs of slowing down. Overall consumption spending is expected to grow at a low single digit. On the other hand, rising costs of production and acceleration in commercial rents are expected to add pressure on the Group's medicine production and retailing operations.

The Group continues its proactive expansion strategy for generating and preserving shareholder value over the longer term. To cope with these challenges, the Group will further leverage its edge in vertical integration – from new product development to extension of retail and medical service network. The Group continues to look for and acquire sizeable and potential retail premises, both for long term capital appreciation purpose and for mitigating the effect of rising rental costs.

Riding on Wai Yuen Tong's hundred year old legacy, the Group believes that it could build a successful business model through revolutionising the way of production and practice of Chinese medicine. The Group will introduce more Chinese medicine products, using the latest technology to combine traditional Chinese medicine knowledge with modern science.

To capture opportunities arising from the increasing demand for Chinese medicine products, the Group will further expand the network of "Wai Yuen Tong" outlets. The Group noted that not only Chinese medicine products are gaining popularity, but also Chinese medicine consultation services. To this, the Group plans to increase the number of Chinese medicine consultation services centres in Hong Kong and Mainland China, where customers in burgeoning cities and rural towns are attaching greater importance to maintaining good health and holistic lifestyle.

The Group is also seeking to maintain healthy growth with its two-pronged strategy of brand building and market development. Recognising the increasing importance of electronic and social media marketing, the Group plans to enhance its corporate image through increasing the use of these media for marketing. The Group strives to make Wai Yuen Tong remain the leading Chinese medicine brand for different generations. It will also keep an eye on merger and acquisition opportunities as a means to speed up its growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

It is expected that following the completion of the construction of the five-storey factory building at Yuen Long Industrial Estate, the production and research capacity of the Group will be increased. The Group will have greater flexibility to meet market demand, and be able to manufacture pharmaceutical and healthy food products catering more market segments.

APPRECIATION

I would like to extend my heartfelt appreciation to all the staff for their dedication and contribution over the years. The Group's remarkable performance in the year is attributable to the continuous effort and contribution of our staff and my fellow Board members in the previous year. I would also like to express my sincere gratitude to all the institutional investors, shareholders, customers and suppliers for their unfailing support to the Group.

Tang Ching Ho
Chairman

Hong Kong, 21 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

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.

RESULTS

For the year ended 31 March 2013, the Group recorded a turnover and profit attributable to owners of the parent of approximately HK$808.5 million (2012: approximately

HK$752.1 million) and approximately HK$148.4 million (2012: loss of approximately HK$220.8 million), respectively.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.3 cents (2012: Nil) per ordinary share for the year ended 31 March 2013 to shareholders whose names appear on the register of members of the Company as of Friday, 30 August 2013. The final dividend will be paid on or around Wednesday, 11 September 2013 subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 22 August 2013. No interim dividend was made for the six months ended 30 September 2012 and 30 September 2011.

CLOSURE OF REGISTER

The register of members of the Company will be closed for the following periods:

(a) for determining eligibility to attend and vote at the 2013 annual general meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m., Monday, 19 August 2013
Closure of register of members:	Tuesday, 20 August 2013 to Thursday, 22 August 2013
Record Date:	Thursday, 22 August 2013

(b) for determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration:	4:30 p.m., Wednesday, 28 August 2013
Closure of register of members:	Thursday, 29 August 2013 to Friday, 30 August 2013
Record Date:	Friday, 30 August 2013

In order to be eligible to attend and vote at the 2013 annual general meeting and to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than the respective latest dates and times set out above.

BUSINESS REVIEW

For the year ended 31 March 2013, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK$808.5 million (2012: approximately HK$752.1 million), representing a growth of approximately 7.5% over last year. Besides, the Group recorded a turn from a loss to a profit for the year ended 31 March 2013 as compared to the year ended 31 March 2012, achieving a profit attributable to owners of the parent of approximately HK$148.4 million (2012: loss of approximately HK$220.8 million). Such improvement in result was mainly attributable to, among other things, the increase in gain on change in fair value of investment properties, the turn from a net realised and unrealised loss to a net realised and unrealised gain on held-for-trading investments and the lack of impairment losses recognised for the investment in an associate as compared to the year ended 31 March 2012.

(1) Chinese Pharmaceutical and Health Food Products
Turnover for the year increased by approximately 15.4% from approximately HK$554.8 million for last year to approximately HK$640.2 million. The achievement was the result of reinforcing customers' confidence in our quality products through strict production and process control, expanding our product range to attract and broaden our customer 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. Although there was a slightly recession in the overall economy, which placed heavy pressure on the general retail business environment, we have still recorded a better same store sale growth and a generally better performing retail business for the year.

Besides, sales performance in other channels, such as chain stores, key accounts, open trade, overseas, etc., also recorded remarkable growth rate against last year, in virtue of we have increased the focus and have added more resources to develop these alternative sale channels. Together with the integrated Chinese medical centres opened last year, such 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 decreased by approximately 13.3% from approximately HK$156.8 million for last year to approximately HK$136.0 million. The drop in sales was mainly due to the reason that started from about the second half of the financial year, the Mainland China government authority has suddenly imposed a control measure banning the sales of cough syrup products containing codeine in Mainland China market temporarily. As one of our cough syrup products under the brand "Madame Pearl's" falls into this category, we have suffered and have lost about half year's sales amount, as well as a substantial profit margin. Such prohibition in sales has been withdrawn in May 2013 and the sales of cough syrup products containing codeine in Mainland China market resumed to normal.

In order to compensate for the loss in sales as mentioned above, the Group has continuously and successfully diversified its products portfolio by launching a series of personal care products under its secondary brand "Pearl's". By means of continuous product development, adding promotion effort, increasing product penetration and appearance in different sale channels, "Pearl's" has gained customer confidence, becoming more well-known to the public and more well-received by the market. In future, we shall introduce more new personal care products which target the children and the adult sectors to the market.

In addition, the new product line, sugar-free mint candy, has brought in additional sale revenue to the Group since its launch to the market in the fourth quarter of last financial year. Market response is positive and encouraging, especially from the younger generation. Again, we shall expand this product line and bring in more freshly and energetic products in order to attract more customers from the new generation.

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

Turnover for the year decreased by approximately 27.1% from approximately HK$31.4 million for last year to approximately HK$22.9 million. The incidents of fake red/blood birds' nest and high level of sodium nitrite contaminated birds' nest last year in the market accounted for the significant drop in sales, especially the sales in Mainland China market, as Mainland China has put an embargo on the import of both dry birds' nest and bottled birds' nest. We expect that the whole birds' nest business will recover when Mainland China lifts the ban.

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

On 31 January 2013, the Group entered into a provisional sale and purchase agreement with an independent third party for the acquisition of an investment property located in Jordan, Kowloon, Hong Kong, at a cash consideration of HK$81.0 million. The acquisition was completed on 2 April 2013 and the property is currently leased out to an independent third party for commercial purpose. Details of the property acquisition were set out in the Company's announcement dated 4 February 2013.

(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 property development in the PRC, forestry and logging operations in Papua New Guinea and retailing of fresh pork meat and related produce in Hong Kong.

The Group shared the profit of PNG of approximately HK$9.7 million for the year (2012: approximately HK$1.9 million). The increase in profit was mainly due to the contribution from the revenue and profit realised from the sale of property in the PRC during the year.

No impairment loss on the investment in PNG was recognised by the Group during the year (2012: approximately HK$269.5 million) as the recoverable amount was assessed to be closed to the carrying value of the interest in PNG.

On 22 November 2012, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Wang On Group Limited ("**Wang On**") (a substantial shareholder of the Company) for the disposal of 1,150,000,000 ordinary shares in the issued share capital of PNG, being approximately 14.95% equity interest in PNG, at a consideration of HK$110.4 million. Upon completion of the disposal, the Group reduced its equity interest in PNG to approximately 34.63%. The Group considered that the disposal of PNG's shares was a good opportunity for the Group to realise part of its investment in PNG. Details of the disposal were set out in the Company's announcement dated 22 November 2012 and the Company's circular dated 10 December 2012.

(6) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded net realised and unrealised gains of approximately HK$1.2 million on these held-for-trading investments for the year (2012: loss of approximately HK$57.3 million).

(7) Loan facilities granted to China Agri-Products Exchange Limited ("**CAP**")

On 22 November 2012, the Group entered into a loan agreement with CAP, pursuant to which the Group agreed to grant to CAP a revolving loan facility in the maximum aggregate amount of HK$100.0 million at an interest rate of 10.0% per annum for a term of three years. On 28 December 2012, HK$100.0 million was fully drawn down by CAP.

Together with the loan of HK$75.0 million under the previous loan facility agreements entered into in 2011 (as supplemented on 6 September 2012), in which carrying interest at 10.0% per annum with maturity date on 30 September 2014, CAP was indebted to the Group in an aggregate loan amount of HK$175.0 million as at 31 March 2013.

Subsequent to the year end on 28 May 2013, the Group entered into a further loan agreement with CAP, pursuant to which the Group agreed to grant to CAP a revolving loan facility in an aggregate amount of not exceeding HK$150.0 million at an interest rate of 12.0% per annum for a term of three years. Up to the date of this report, HK$100.0 million has been drawn down by CAP already.

The Group considered that the loans granted to CAP provides a higher and stable return of interest income to the Group in the short to medium term.

(8) Grant of lease of land in Yuen Long Industrial Estate

On 15 November 2012, HKSTPC agreed to grant the lease of a piece of land located at Yuen Long Industrial Estate to the Group at the consideration of approximately HK$21.4 million. The said land will be used for the construction of a five-storey factory building to house the Group's pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing and to expand its pharmaceutical manufacturing business. Details of the grant of the lease of land were set out in the Company's announcement dated 12 December 2012.

FINANCIAL REVIEW

Fund Raising

On 30 November 2012, the Company, an indirect wholly-owned subsidiary of Wang On (the "**Vendor**") and a placing agent entered into a top-up placing and subscription agreement pursuant to which (i) the Vendor has agreed to place, through the placing agent, 250 million top-up placing shares to independent investors at a top-up placing price of HK$0.125 per top-up placing share; and (ii) the Vendor has agreed to subscribe for 250 million top-up subscription shares at the top-up subscription price of HK$0.125 per top-up subscription share.

Also on 30 November 2012, the Company entered into a new issue placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place, 157 million new issue placing shares to independent investors at a new issue placing price of HK$0.125 per new issue placing share.

The top-up placing, the top-up subscription and the new issue placing were completed on 5 December 2012, 11 December 2012 and 7 January 2013, respectively, and an aggregate of 250 million top-up placing shares and 157 million new issue placing shares have been successfully placed. The aggregate net proceeds from the top-up subscription and the new issue placing amounted to approximately HK$49.0 million. The Group intended to utilise as to approximately HK$25.0 million of the net proceeds for the expansion of its production facilities and the remaining balance of approximately HK$24.0 million as general working capital of the Group.

Furthermore, on 8 March 2013, the Company entered into a placing agreement with a placing agent pursuant to which, the Company has agreed to allot and issue, and the placing agent has agreed to place, 488 million placing shares to independent investors at a placing price of HK$0.22 per placing share.

The placing was completed on 26 March 2013 and the entire 488 million placing shares have been successfully placed. The aggregate net proceeds amounted to approximately HK$104.7 million. The Group intended to utilise as to approximately HK$65.0 million of the net proceeds for the construction of the new factory at Yuen Long Industrial Estate and the remaining balance of approximately HK$39.7 million as general working capital of the Group.

Liquidity and Gearing

As at 31 March 2013, the Group's total borrowings amounted to approximately HK$262.8 million (2012: approximately HK$140.1 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 15.7% (2012: approximately 10.1%).

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 2013, the Group had capital commitment of approximately HK$13.6 million (2012: approximately HK$0.4 million) and approximately HK$37.0 million (2012: Nil) in respect of the acquisition of property, plant and equipment and investment property, respectively, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 31 March 2013, the Group had no material contingent liabilities (2012: Nil).

EMPLOYEES

As at 31 March 2013, the Group had 741 (2012: 705) employees, of whom approximately 66% (2012: 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$127.6 million (2012: approximately HK$123.0 million).

PROSPECTS

The recent global financial instability and economic recession has generally affected the business environment in Hong Kong and the PRC, with the retail business being the most vulnerable. Whilst the retail business of the Group has fared relatively well, in order to minimise the general adverse effect on our business of the worsening global environment as well as the local government policy, control and measure, 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. Proven that there should be a strong growth potential in other sale channels, such as chain stores, key accounts, open trade, overseas, etc., the Group will further increase the focus and concentration by adding more resources, including manpower, incentives, advertising and promotion fees to develop these alternative sale channels, with the target to balance the risk and reliance on retail business. Besides, the Group will also make use of the cyber world, such as cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which have been recognised to be a very effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth and which can bring in synergy to our existing business, 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 as they pay a significant portion of 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, reviewing various operating cycles and processes so as to improve our production efficiency and relocating some of our retail shops to achieve lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system among pharmaceutical industry is the next milestone of the Group. Taking the opportunity that the Group has been granted the lease of a piece of land located at Yuen Long Industrial Estate, the Group is keen to construct a new and modernised five-storey factory building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, *JP*, aged 51, 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, a company listed on the Stock Exchange. Mr. Tang is the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference and is also appointed as a standing committee member and convener of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and the president of Federation of Hong Kong Guangxi Community Organisations Limited 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 49, was appointed as the Managing Director 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 of CAP 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 42, joined the Group in 2000 and was appointed as the Executive Director in September 2007. Ms. Tang is a member of the executive committee of the Company and acts as directors of certain subsidiaries of the Group. 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, *MH*, aged 63, was re-designated as an Independent Non-executive Director 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 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 52, 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 39, 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, and a China-Appointed Attesting Officer. 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 72, 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 27 years of experience in the pharmaceutical industry.

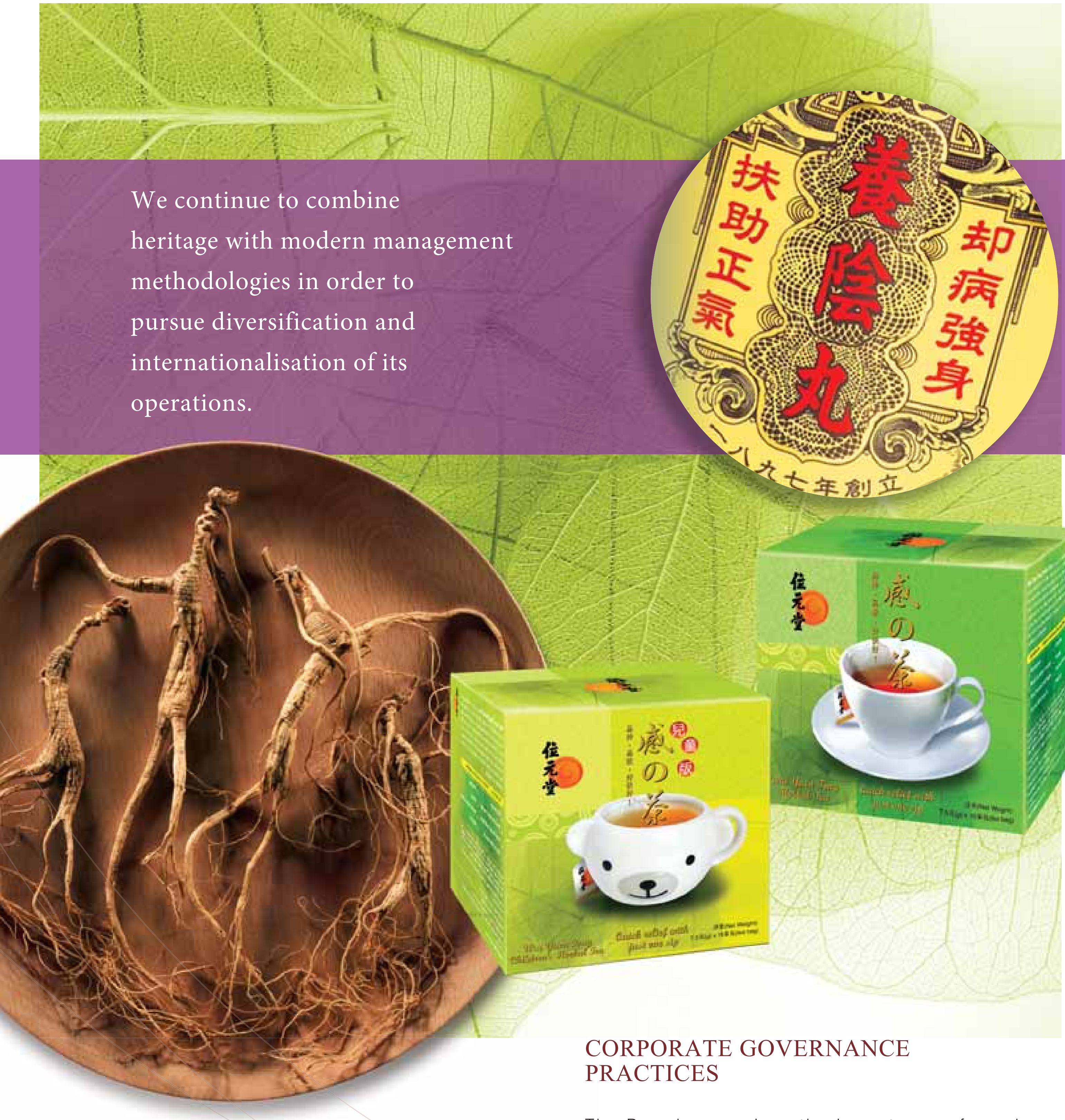
Ms. Wong Shuk Fong, Jaime is currently the General Manager of Wai Yuen Tong Medicine Company Limited ("**WYT Medicine**"), a principal subsidiary of the Group, and is responsible for the overall operation of WYT Medicine, including retail business. Ms. Wong graduated from The Hong Kong Polytechnic University 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 25 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 sale 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 five years working experience in an international firm of certified public accountants and over 12 years of experience in key financial position in Hong Kong listed companies and multi-national companies.

CORPORATE GOVERNANCE REPORT

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



CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The

Company is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence.

The Company has taken steps to adopt the principles and comply with the code provision of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board has reviewed periodically the compliance of the CG Code and is in the view that throughout the year ended 31 March 2013, the Company has complied with the code provisions of the CG Code.

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**") set out 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 Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

To comply with code provision A.6.4 of the CG Code, the Company also adopted a code of conduct on terms no less exacting than the Model Code for the relevant employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished inside information in relation to the securities of Group. To the best knowledge and belief of the Directors, all relevant employees have complied with the required standard 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, *MH*
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

The biographical details of the Directors are set out on pages 14 to 15 of this annual report.

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

All INEDs are appointed with specific term of not more than three years and all Directors are appointed with letters of appointment and 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 (the "**bye-laws**").

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 is accountable to stakeholders for the activities and performance of the Group and its primary functions are, among others, to formulate corporate and financial policies and overall business 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 various committees established by the Board, with respective functions set out in its terms of reference.

Regular Board meetings are held at least four times a year to approve, among others, annual and interim results and to review the business operations, the effectiveness of internal control systems and corporate governance function of the Group. Apart from these regular meetings, Board meetings are also held, as and when necessary, to consider any other 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. Apart from the regular board meetings, the chairman also met with the INEDs without the presence of executive Directors during the year.

The Company has arranged for appropriate directors and officers liability insurance to indemnify its Directors against liabilities arising out of legal action on corporate activities. Such insurance coverage is reviewed and renewed on an annual basis.

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, ensuring good corporate governance practices are established and ensuring all Directors receive accurate and timely information, while the Managing Director bears executive responsibility for the Group's day-to-day management of business, to implement the Group's policies and the management of the day-to-day operations of the Group.

BOARD COMMITTEES

The Board has established various committees including executive committee (the "**Executive Committee**"), audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), each of which has the specific written terms of reference that will be reviewed and updated periodically or where necessary. Copies of minutes of all meetings and resolutions of the committees are kept by the company secretary of the Company and are 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.

Executive Committee

The Executive Committee was established in 2005 with specific written terms of reference with authority delegated by the Board and is responsible for managing daily operation, controlling the Group activities, formulating business strategies, monitoring the daily operation and performance of the Group. The Executive Committee comprises three members, namely Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun and it is chaired by Mr. Tang Ching Ho.

Audit Committee

The Audit Committee was established with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company and HKExnews. Currently, the Audit Committee 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 is elected as the chairman of the Audit Committee.

The functions of the Audit Committee is, among other things, 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 (as amended from time to time). Its terms of reference were reviewed and updated in March 2012 to ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting and financial reporting function.

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

During the year under review, the Audit Committee met three times with the Group senior management, two of which were joined by the external auditors to discuss and review, among other things, the following matters:

(a) the interim results for the six-month ended 30 September 2012 and the annual results for the year ended 31 March 2013 to ensure the full, complete and accurate disclosure in the aforesaid financial statements pursuant to the accounting standards and other legal requirement for presenting the same to the Board for approval;

(b) the term and remuneration for the appointment of external auditors to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu ("**Deloitte**") on 28 January 2013;

(c) the term and remuneration for the appointment of external auditors to perform audit services, other special corporate projects and review the overall significant control system;

(d) the independence of the external auditors especially for those non-audit services;

(e) the overall effectiveness of internal controls; and

(f) the adequacy of resources, qualifications and experience of staff and the accounting and financial reporting matters.

Remuneration Committee

The Remuneration Committee has been established since September 2005 in compliance with Rule 3.25 of the Listing Rules. The specific written terms of reference, as revised from time to time, stipulating its authorities and duties are available on the websites of the Company and HKExnews. 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 is elected as the chairman of the Remuneration Committee.

The roles and functions of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including, but not limited to, benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

(g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

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

During the year under review, the Remuneration Committee held one meeting, in which it reviewed the existing remuneration policies by reference with the market research, communicated with the chairman, managing Director and the management and recommended amendments to the existing remuneration policies and performance-based bonus and approved the remuneration package and performance-based bonus paid to other Directors and senior management of the Company. No Director took part in any discussion about his own remuneration.

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 the Directors and senior management.

Details of the Directors' remuneration are set out in note 8 to the financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2013 is set out below:

Remuneration bands	Number of individual
HK$500,000 to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	3

Nomination Committee

The Nomination Committee has been established since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and HKExnews. It 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 is elected as the chairman of the Nomination Committee.

The roles and functions of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of INEDs;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the chairman and the chief executive;

(e) where the Board proposes a resolution to elect an individual as an INED at the general meeting, the Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent; and

(f) the chairman or another member of the Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

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

During the year under review, the Nomination Committee held one meeting, in which it determined the criteria and procedures for nomination of independent non-executive Director, reviewed the structure, size and composition of the Board taking into consideration the amendments to the Listing Rules in 2012. The Nomination Committee also recommended the re-election of all the retiring Directors, namely Ms. Tang Mui Fun, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, at the forthcoming annual general meeting.

In June 2013, the Board has reviewed and amended the terms of reference of the Nomination Committee for the inclusion of the diversity of perspective, says, age, gender, ethnicity and culture, in consideration of the composition of the Board, so as to enhance the effectiveness of the Board and promote the development of higher corporate governance. The revised terms of reference of the Nomination Committee are made available on the websites of the Company and HKExnews.

CORPORATE GOVERNANCE FUNCTION

The Board has undertaken and adopted the responsibility for performing the corporate governance duties pursuant to the CG Code and is committed to ensuring that an effective governance structure is in place to continuously review, monitor and improve the corporate governance practices within the Group with regard to the prevailing legal and regulatory requirements.

During the year, the Board has reviewed the policies and practices on the Group's corporate governance, developing a code of conduct applicable to the Directors and employees, monitoring the Company's legal and regulatory compliance and training and continuing professional development of Directors and reviewing the Company's compliance with the CG Code and the disclosure in this annual report.

This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

Details of the attendance of individual Directors at Board meetings, committee meetings and shareholder meetings held during the year ended 31 March 2013 are as follows:

	Number of meetings attended/held					
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting**	**General meeting**
Mr. Tang Ching Ho	4/4	N/A	1/1	1/1	1/1	0/2
Mr. Chan Chun Hong, Thomas	4/4	N/A	1/1	1/1	1/1	2/2
Ms. Tang Mui Fun	4/4	N/A	N/A	N/A	1/1	0/2
Mr. Leung Wai Ho	4/4	3/3	1/1	1/1	1/1	0/2
Mr. Yuen Chi Choi	4/4	3/3	1/1	1/1	1/1	0/2
Mr. Siu Man Ho, Simon	4/4	3/3	1/1	1/1	1/1	1/2
Mr. Cho Wing Mou	4/4	3/3	1/1	1/1	1/1	0/2

EXTERNAL AUDITORS' REMUNERATION

The Company have appointed Ernst & Young as the Company's new auditors at the special general meeting of the Company held on 7 March 2013 pursuant to bye-law 157 of the Bye-laws, to fill the casual vacancy arising from the resignation of Deloitte on 28 January 2013.

During the year and up to the date of this report, the remuneration paid/payable to the Company's external auditors, Deloitte, Ernst & Young or FTO CPA Limited, for the year ended 31 March 2013 which has been reviewed and approved by the Audit Committee, details of which are set out as follows:

Services rendered for the Group	**Fees paid/payable to external auditors** HK$'000
Audit services	
– For annual financial statements	2,314
Non-audit services:	
– Taxation services	289
– Professional services	359
Total	2,962

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility 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 2013, 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 37 to 38 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board has undertaken the overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and shareholders' interests, as well as, with the Audit Committee, for reviewing the effectiveness of these systems. The internal audit department is delegated to ensuring and maintaining sound internal control functions by monitoring such internal control systems and procedures constantly so as to ensure that they can provide reasonable assurance against misstatement or loss and to manage risks of failure in the Group's operational systems. In addition, the Company will engage independent consultants to conduct review of the internal control system and risk management of the Group as and when necessary. The Board is responsible for approving and overall reviewing internal control policy while the responsibility of day-to-day management of operational risks lies with the management.

The internal control system is designed to provide reasonable, but not absolute, assurance against material loss; and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations. During the financial year ended 31 March 2013, the Board reviewed all material internal control, including financial, operational and compliance control and risk management function. It also reviewed with Audit Committee and the information from the internal audit department in respect of the effectiveness of the Group's internal control system, adequacy of resources, 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development so as to develop and refresh Directors' knowledge and skills and to ensure that their contribution to the Board remains informed and relevant. The company secretary of the Company regularly circulates details of training information which may be of interest to Directors.

The Company provides and circulates the Directors with monthly and regular updates relating to the Group's business, financial position and business environment, in which the Group operates. All Directors have complied with the code provisions in relation to continuous professional development which has involved various forms of activities including reading materials relevant to the Company's business, director's duties and responsibilities and so forth. Mr. Chan Chun Hong, Thomas, Mr. Siu Man Ho, Simon and Mr. Yuen Chi Choi also attended/gave presentations at seminars/forums.

The Company continuously updates Directors constantly on the latest developments regarding the Group's business, the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have provided to the Company with their training records on a regular basis, and such records have been maintained by the Company for accurate and comprehensive record keeping.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company aims at promoting and maintaining effective communications with shareholders and investors (both individuals and institutions) (collectively the "**Stakeholders**") to ensure that the Group's information is disseminated to Stakeholders in a timely manner and enable them to have a clear assessment of the enterprise performance. A shareholders communication policy has been adopted by the Company and the same is available on the website of the Company.

Disclosures in Corporate Website

Extensive information on the Group's activities and financial position will be disclosed in the annual reports, interim reports, announcements, circulars and other corporate communications which will be sent to shareholders and/or published on the websites of HKExnews (www.hkexnews.hk) and the Company (http://www.wyth.net). Other inside information is released by way of formal public announcements as required by the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

General Meeting with Shareholders

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 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 resolutions put to vote at general meetings are taken by poll and the poll results are posted on the website of the Company and HKExnews immediately following the holding of the general meetings.

Investor Relations

The Group also has a proactive investor relations programme that keeps investors and shareholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year, we held various meetings with investors to introduce the business of the Group.

Shareholders' Rights Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981 (the "**Companies Act**") and bye-law 58 of the Bye-laws, the Board whenever it thinks fit call special general meetings and shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary of the Company to require a special general meeting ("**SGM**") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Board or the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two (2) months after the deposit of such requisition.

Such requisitions will be verified by the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary of the Company will inform the Board to convene a SGM by serving sufficient notice to all shareholders of the Company. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them may convene a SGM in accordance with the provisions of Section 74(3) of the Companies Act, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Companies Act, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the principal place of business in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28

Queen's Road East, Wanchai, Hong Kong with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are published in the "Corporate Governance" under section headed under "Corporate Profile" on the website of the Group at http://www.wyth.net.

Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board in writing by email to contact@waiyuentong.com or by addressing their enquiries, together with their contact details, in the following manners:

In respect of the corporate affairs:
The Board/Company Secretary/PR Manager
Wai Yuen Tong Medicine Holdings Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Telephone No.: (852) 3526-6700
Facsimile No.: (852) 3526-6630

In respect of the other shareholding/entitlement affairs:
Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Telephone No.: (852) 2861-1465
Facsimile No.: (852) 2980-1766

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy to facilitate the achieving of high possible standards of openness, probity and accountability. Procedures are formulated to assist individual employees to disclose internally and at a high level, information which the individual believes that it shows malpractice or impropriety within the Group. Such policy is made available on the website of the Company.

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita, who was appointed as a full-time company secretary of the Company, reports to the Board and is responsible for, inter alia, providing updated information to all Directors from time to time.

During the year ended 31 March 2013, Ms. Mak has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

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.

CONSTITUTIONAL DOCUMENT

Pursuant to a special resolution passed by the shareholders at the annual general meeting held on 21 August 2012 to approve the amendments to the Bye-laws to conform to the provisions of the amended Listing Rule and the Companies Amendment (No. 2) Act 2011 of Bermuda, which received assent and became operative on 18 December 2011, the amended and restated Bye-laws were adopted. Save as disclosed above, during the year ended 31 March 2013, there was no other change in the constitutional document.

The Memorandum of Association and the amended and restated Bye-laws are available on the website of the Stock Exchange and the website of the Company.

CONCLUSION

Going ahead, the Group will continue to review regularly its corporate governance practices to maintain high level of transparency, to enhance the Company's competitiveness and operating efficiency and to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

REPORT OF THE DIRECTORS

Cultivating personal growth is one of our top priorities, only when we have high quality employees,we can deliver the best products and professional services to our customers.

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise the production and sale of traditional Chinese and western pharmaceutical products, health food and personal care products, bottled birds' nest drinks and herbal essence products and property 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 2013 and the state of affairs of the Company and of the Group at that date are set out in the audited consolidated financial statements on pages 39 to 126.

The Group's revenue and profit attributable to owners of the parent for the year ended 31 March 2013 amounted to approximately HK$808.5 million (2012: approximately HK$752.1 million) and approximately HK$148.4 million (2012: loss of approximately HK$220.8 million), respectively.

The Board has recommended the payment of a final divided of HK0.3 cents (2012: Nil) per ordinary share for the year ended 31 March 2013 to shareholders whose names appear on the register of members of the Company on Friday, 30 August 2013. The final dividend will be paid on or around Wednesday, 11 September 2013, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 22 August 2013. No interim dividend was paid for the six months ended 30 September 2012 and 2011.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates as at 31 March 2013 are set out on pages 92 and 90 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 30 and 31 to the financial statements, respectively.

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 128 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 investment properties of the Group during the year are set out in notes 14 and 15 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 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for distribution to equity holders of the parent, calculated in accordance with the Companies Act, amounted to approximately HK$266,622,000 (2012: approximately HK$156,856,000) which represented the net balance of general reserves of approximately HK$215,599,000 (2012: approximately HK$215,599,000) and retained profits of approximately HK$51,023,000 (2012: accumulated losses of approximately HK$58,743,000).

DIRECTORS

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

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

Independent non-executive Directors:
Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Yuen Chi Choi
Mr. Cho Wing Mou

In accordance with bye-law 87 of the Bye-laws, Ms. Tang Mui Fun, Mr. Yuen Chi Choi and Mr. Cho Wing Mou will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 15 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 Group 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 8 and 39 to the financial statements, no Directors had a material interest, either directly or indirectly, 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 2013, 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 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 Listing Rules, were as follows:

(i) Long positions in the underlying shares of share options of the Company:

Name of Director	Date of grant	Exercise price per share HK$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying shares	Approximate percentage of the Company's total issued share capital (Note 2) (%)
Ms. Tang Mui Fun	8.1.2009	1.2050	78,214	8.1.2010 – 7.1.2019	78,214	0.003

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 2013 of 2,931,142,969 shares.

(ii) Long positions in the shares of an associated corporation – PNG

Name of Director	Number of shares held	Nature of interest	Approximate percentage of the total issued share capital of PNG (Note) (%)
Mr. Cho Wing Mou	96,000	Person interest	0.001

Note: PNG is an associated corporation of the Company in which the Company held 34.63% equity interest. The percentage represented the number of shares over the total issued share capital of PNG as at 31 March 2013 of 7,691,500,000 shares.

Save as disclosed above, as at 31 March 2013, 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 "**2003 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 770,116 share options lapsed during the year.

Details of the movements of the share options under the 2003 Scheme during the year ended 31 March 2013 were as follows:

Name or category of participant	Outstanding as at 1 April 2012	Granted during the year	Exercised during the year	Lapsed and cancelled during the year	Outstanding as at 31 March 2013	Date of grant	Exercise price per share	Exercisable period
	Number of share options						HK$	(Note)
Executive Director								
Ms. Tang Mui Fun	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
	156,428	–	–	(78,214)	78,214			
Other employees								
In aggregate	435,597	–	–	(435,597)	–	2.1.2008	1.8782	2.1.2009 – 1.1.2013
	611,280	–	–	(107,095)	504,185	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	956,627	–	–	(149,210)	807,417	12.5.2010	0.4321	12.5.2011 – 11.5.2020
	2,003,504	–	–	(691,902)	1,311,602			
	2,159,932	–	–	(770,116)	1,389,816			

Notes:

The share options granted under the 2003 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 2003 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 provided research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor or goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods and services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants.

The 2003 Scheme become 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 at the close of business on 17 September 2013. Under the 2003 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 2003 Scheme, the maximum number of share options that may be granted under the 2003 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 2003 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 2003 Scheme limit or as refreshed from time to time.

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 2003 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 shareholders 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 2003 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 share 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 shareholder.

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 1,389,816 share options outstanding under the 2003 Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 1,389,816 additional ordinary shares of the Company and additional share capital of approximately HK$13,898.16 and share premium of approximately HK$1,036,777.52 (before issue expenses).

As at the date of this annual report, the total number of shares available for issue under the 2003 Scheme is 203,614,296 shares, representing 6.9% 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 2003 Schemes are set out in note 31 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 31 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' OR OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, 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 or chief executive of the Company) had notified the Company and the Stock Exchange 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 3) (%)
Wang On (Note 1)	729,042,034	24.9
Wang On Enterprises (BVI) Limited ("**WOE**") (Note 1)	729,042,034	24.9
Rich Time Strategy Limited ("**Rich Time**") (Note 1)	729,042,034	24.9
Kwela International Limited (Note 2)	271,870,000	9.3

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 729,042,034 shares of the Company held by Rich Time.

2. Kwela International Limited is a company 99% owned by Mr. Andy Wei.

3. The percentages represented the number of shares over the total issued share capital of the Company as at 31 March 2013 of 2,931,142,969 shares.

Save as disclosed above, as at 31 March 2013, 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.

CONNECTED TRANSACTIONS

The Company has become an associate of Wang On since end November 2011. During the year under review, the following transactions constituted and continued to constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

(a) The Company entered into a sub-lease agreement (the "**2009 Sub-lease Agreement**") with Wang On Management Limited ("**WOM**"), a wholly-owned subsidiary of Wang On, to lease portions of the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "**Premises**") for a term of three years commencing from 1 July 2009 and expiring on 30 June 2012 at a monthly license fee of HK$140,000. Immediately upon expiry of the 2009 Sub-lease Agreement, the Company entered into a new sub-lease agreement with WOM on 30 June 2012 for a further term of three years commencing from 1 July 2012 and expiring on 30 June 2015 at a monthly license fee of HK$154,000;

(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 ending on 30 September 2013 at a monthly rental of HK$62,500;

(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 ending on 10 March 2014 at a monthly rental of HK$60,000; and

(d) Wai Yuen Tong Medicine Company Limited, a 99.79%-owned subsidiary of the Company, as the supplier, and WOM, as the purchaser, entered into the master sales agreement on 14 January 2013 for supplying Chinese and western pharmaceutical products, health food and personal care products, bottled bird's nest drinks and herbal essence products by the Group's to WOM (for itself and on behalf of other members of Wang On) for the three financial years ending 31 March 2015 at annual caps of HK$5.8 million, HK$7.2 million and HK$9.0 million, respectively.

The Directors (including all of the INEDs) and the auditors have reviewed and 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 respective caps.

The Company engaged its auditors, Ernst & Young, 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.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and 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 2003 Scheme are set out in note 31 to the 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 19% of the Group's purchases and the five largest suppliers of the Group accounted for 46% 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.

DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

Pursuant to the following loan agreements entered into between Give Power Limited ("**Give Power**"), an indirectly wholly-owned subsidiary of the Company, and CAP, the Group, through Give Power, has agreed to provide loan facilities (the "**Loan Facilities**") to CAP in an aggregate sum of HK$175 million as at the end of the reporting period:

(a) a loan agreement dated 11 January 2011 and 10 March 2011, both are supplemented on 6 September 2012, pursuant to which Give Power agreed to provide an unsecured loan facility of an aggregate of HK$75 million to CAP for a period up to 30 September 2014 at an interest rate of 10% per annum, details of which were set out in the Company's announcement dated 6 September 2012; and

(b) a loan agreement dated 22 November 2012 and with the approval by the shareholders of the Company at a special general meeting held on 27 December 2012, pursuant to which Give Power agreed to provide an unsecured loan facility of an aggregate of HK$100 million to CAP for a period up to 27 December 2015 at an interest rate of 10% per annum, details of which were set out in the Company's announcement and circular dated 22 November 2012 and 10 December 2012, respectively.

After the reporting period, Give Power entered into a new loan agreement with CAP, and agreed to provide a new unsecured loan facility to CAP in an aggregate amount of not exceeding HK$150 million for a period up to 27 May 2016 at an interest rate of 12% per annum, details of which were set out in the Company's announcement dated 28 May 2013.

As at the end of the reporting period, the aggregate outstanding loan balance owed by CAP under the above loan facilities amounted to HK$175 million. As at the date of this annual report, the Group has advanced an aggregate outstanding loan facilities to CAP in an aggregate sum of HK$275 million.

DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$1.1 million (2012: approximately HK$0.4 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 16 to 26 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 the appointment of Ernst & Young as the Company's new auditors to fill the casual vacancy arising from the resignation of Deloitte with the management. It also reviewed the audited consolidated financial statements for the year ended 31 March 2013 of the Group with the management and the auditors. 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.

EVENTS AFTER THE PEPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 41 to the financial statements.

AUDITORS

Ernst & Young were appointed as the new auditors of the Company at the special general meeting of the Company held on 7 March 2013 pursuant to bye-law 157 of the Bye-laws to fill the casual vacancy arising from the resignation of Deloitte on 28 January 2013, to hold the office until the next annual general meeting.

The consolidated financial statements for the year ended 31 March 2013 have been audited by Ernst & Young, 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, 21 June 2013

INDEPENDENT AUDITOR'S REPORT

安 永

TO THE SHAREHOLDERS 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 (together, the "**Group**") set out on pages 39 to 126, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of 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 SHAREHOLDERS 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 Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 March 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 20 June 2012.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
REVENUE	5	**808,517**	752,072
Cost of sales		**(443,207)**	(397,699)
Gross profit		**365,310**	354,373
Other income	5	**34,939**	32,045
Selling and distribution expenses		**(243,348)**	(222,157)
Administrative expenses		**(102,345)**	(88,083)
Finance costs	7	**(2,503)**	(2,216)
Change in fair value of investments held-for-trading, net		**1,218**	(57,328)
Fair value gains on investment properties	15	**72,000**	36,876
Gain on disposal of subsidiaries	34	**661**	–
Gain on partial disposal of equity interests in an associate		**12,787**	–
Impairment losses recognised in respect of an associate		**–**	(269,473)
Share of results of associates		**10,139**	2,098
PROFIT/(LOSS) BEFORE TAX	6	**148,858**	(213,865)
Income tax expense	10	**(539)**	(6,894)
PROFIT/(LOSS) FOR THE YEAR		**148,319**	(220,759)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		**177**	942
Release of translation reserve upon partial disposal of equity interests in an associate		**(11,596)**	–
Share of other comprehensive income of an associate		**4,443**	15,671
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(6,976)**	16,613
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**141,343**	(204,146)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**148,433**	(220,838)
Non-controlling interests		**(114)**	79
		148,319	(220,759)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**141,449**	(204,233)
Non-controlling interests		**(106)**	87
		141,343	(204,146)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
– Basic and diluted		**6.88 cents**	(10.85 cents)

Details of dividends for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	**31 March 2013 HK$'000**	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**210,933**	172,554	145,975
Investment properties	15	**356,000**	304,000	229,900
Goodwill	16	**15,335**	15,335	15,335
Investments in associates	17	**279,195**	372,471	626,495
Other intangible assets	19	**547**	732	682
Loans and interests receivable	24	**186,379**	221,341	285,638
Deferred tax assets	29	**4,384**	3,696	3,514
Deposit for acquisition of an investment property		**47,527**	–	3,528
		1,100,300	1,090,129	1,311,067
CURRENT ASSETS				
Inventories	20	**152,419**	112,760	95,428
Trade and other receivables	21	**154,787**	140,334	105,353
Amounts due from associates	22	**3,931**	2,801	2,933
Investments held-for-trading	23	**57,132**	58,094	126,465
Loans and interests receivable	24	**218,249**	82,020	11,359
Tax recoverable		**9,324**	3,100	127
Bank balances and cash	25	**356,145**	139,387	148,504
		951,987	538,496	490,169
CURRENT LIABILITIES				
Trade and other payables	26	**101,544**	90,935	74,297
Bank borrowings	27	**222,674**	69,008	33,329
Deferred franchise income	28	**18**	18	18
Tax payable		**1,369**	4,950	3,464
		325,605	164,911	111,108
NET CURRENT ASSETS		**626,382**	373,585	379,061
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,726,682**	1,463,714	1,690,128

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Bank borrowings	27	**40,105**	71,112	85,438
Deferred tax liabilities	29	**1,628**	2,695	2,571
		41,733	73,807	88,009
NET ASSETS		**1,684,949**	1,389,907	1,602,119
EQUITY				
Share capital	30	**29,311**	20,361	20,361
Reserves	32(a)	**1,647,973**	1,361,736	1,574,022
Equity attributable to owners of the parent		**1,677,284**	1,382,097	1,594,383
Non-controlling interests		**7,665**	7,810	7,736
TOTAL EQUITY		**1,684,949**	1,389,907	1,602,119

Tang Ching Ho
DIRECTOR

Chan Chun Hong, Thomas
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

Group	Notes	Attributable to owners of the parent										Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 32(a)(i))	General reserve HK$'000 (note 32(a)(ii))	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (note 32(a)(iii))	Asset revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000		
At 1 April 2011													
As previously reported		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
Prior year adjustments	2.2	–	–	–	–	–	–	–	4,622	9,340	13,962	–	13,962
As restated		20,361	1,195,767	(27,150)	215,599	1,684	22,764	–	28,014	137,344	1,594,383	7,736	1,602,119
Profit/(loss) for the year (as restated)		–	–	–	–	–	–	–	–	(220,838)	(220,838)	79	(220,759)
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/(loss) for the year		–	–	–	–	–	16,605	–	–	(220,838)	(204,233)	87	(204,146)
Recognition of share-based payment	31	–	–	–	–	159	–	–	–	–	159	–	159
Lapse/forfeiture of share options		–	–	–	–	(643)	–	–	–	643	–	–	–
Final 2011 dividend declared		–	–	–	–	–	–	–	–	(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, as restated		20,361	1,195,767*	(27,150)*	215,599*	1,200*	39,369*	(2,104)*	28,014*	(88,959)*	1,382,097	7,810	1,389,907
At 1 April 2012													
As previously reported		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
Prior year adjustments	2.2	–	–	–	–	–	–	–	4,622	15,424	20,046	–	20,046
As restated		20,361	1,195,767	(27,150)	215,599	1,200	39,369	(2,104)	28,014	(88,959)	1,382,097	7,810	1,389,907
Profit/(loss) for the year		–	–	–	–	–	–	–	–	148,433	148,433	(114)	148,319
Exchange differences arising on translation of foreign operations		–	–	–	–	–	169	–	–	–	169	8	177
Release upon partial disposal of equity interests in an associate		–	–	–	–	–	(11,596)	–	–	–	(11,596)	–	(11,596)
Share of other comprehensive income of an associate		–	–	–	–	–	4,443	–	–	–	4,443	–	4,443
Total comprehensive income/(loss) for the year		–	–	–	–	–	(6,984)	–	–	148,433	141,449	(106)	141,343
Issue of shares	30	8,950	149,285	–	–	–	–	–	–	–	158,235	–	158,235
Share issue expense	30	–	(4,542)	–	–	–	–	–	–	–	(4,542)	–	(4,542)
Recognition of share-based payment	31	–	–	–	–	45	–	–	–	–	45	–	45
Lapse/forfeiture of share options		–	–	–	–	(606)	–	–	–	606	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(39)	(39)
Release upon partial disposal of equity interests in an associate		–	–	–	–	–	–	633	–	(633)	–	–	–
At 31 March 2013		29,311	1,340,510*	(27,150)*	215,599*	639*	32,385*	(1,471)*	28,014*	59,447*	1,677,284	7,665	1,684,949

* These reserve accounts comprise the consolidated reserves of HK$1,647,973,000 (2012: HK$1,361,736,000 (as restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**148,858**	(213,865)
Adjustments for:			
Finance costs	7	**2,503**	2,216
Impairment losses recognised in respect of an associate		**–**	269,473
Change in fair value of investments held-for-trading, net		**(6,792)**	35,437
Fair value gains on investment properties	15	**(72,000)**	(36,876)
Share of results of associates		**(10,139)**	(2,098)
Recognition of share-based payment	31	**45**	159
Gain on disposal of subsidiaries	34	**(661)**	–
Gain on partial disposal of equity interests in an associate		**(12,787)**	–
Effective interest income on loans receivable	5	**(26,478)**	(23,144)
Interest income on bank deposits	5	**(735)**	(283)
Interest income on investments held-for-trading	5	**–**	(415)
Recognition of deferred franchise income	5	**(90)**	(90)
Reversal of allowance for obsolete inventories	6	**(490)**	(59)
Depreciation	6	**16,320**	13,703
Amortisation of other intangible assets	6	**204**	196
Recognition/(reversal) of impairment losses of trade and other receivables	6	**200**	(52)
		37,958	44,302
Increase in inventories		**(39,096)**	(17,260)
Increase in trade and other receivables		**(14,636)**	(34,862)
Decrease/(increase) in amounts due from associates		**(1,130)**	132
Decrease in investments held-for-trading		**7,754**	32,934
Increase in trade and other payables		**10,541**	16,568
Increase in deferred franchise income		**90**	90
Cash generated from operations		**1,481**	41,904
Interest received		**735**	283
Hong Kong profits tax paid		**(11,613)**	(7,746)
Overseas taxes paid		**(487)**	(717)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**(9,884)**	33,724

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(34,672)**	(40,224)
Purchase of investment properties		**–**	(33,696)
Deposits paid for acquisition of an investment property		**(47,527)**	–
Additions of cost of trademarks		**(19)**	(246)
Interest received		**25,211**	17,195
Dividends received from associates		**200**	216
Increase in loans receivable		**(100,000)**	–
Net proceeds from partial disposal of equity interests in an associate		**108,849**	–
Disposal of subsidiaries	34	**715**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(47,243)**	(56,755)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**180,000**	39,640
Repayments of bank borrowings		**(57,341)**	(18,287)
Dividends paid		**–**	(6,108)
Interest paid		**(2,503)**	(2,216)
Dividends paid to non-controlling shareholders		**(39)**	(13)
Proceeds from issue of shares	30	**158,235**	–
Share issue expenses	30	**(4,542)**	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		**273,810**	13,016
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**216,683**	(10,015)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**139,387**	148,504
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**75**	898
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank balances and cash		**356,145**	139,387

STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	18	**–**	–
		–	–
CURRENT ASSETS			
Due from subsidiaries	18	**1,634,207**	1,506,713
Other receivables	21	**6,102**	6,289
Investment held-for-trading	23	**6,785**	9,745
Bank balances and cash	25	**301,378**	40,694
		1,948,472	1,563,441
CURRENT LIABILITIES			
Due to subsidiaries	18	**336,462**	214,438
Other payables	26	**2,078**	1,969
		338,540	216,407
NET CURRENT ASSETS		**1,609,932**	1,347,034
NET ASSETS		**1,609,932**	1,347,034
EQUITY			
Issued capital	30	**29,311**	20,361
Reserves	32(b)	**1,580,621**	1,326,673
TOTAL EQUITY		**1,609,932**	1,347,034

Tang Ching Ho
DIRECTOR

Chan Chun Hong, Thomas
DIRECTOR

1. CORPORATE INFORMATION

Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability. The address of the head office and principal place of business of the Company is 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- 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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and investments held-for-trading, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties and revalued land and building were provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties and revalued land and building. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties and revalued land and building are provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

(i) Consolidated statement of comprehensive income for the year ended 31 March

	2013 **HK$'000**	2012 HK$'000
Decrease in income tax expense	**11,880**	6,084
Increase in profit (2012: decrease in loss) for the year	**11,880**	6,084
Increase in basic and diluted earnings (2012: decrease in basic and diluted loss) per share attributable to ordinary equity holders of the parent	**0.55 cents**	0.30 cents

(ii) Consolidated statement of financial position at 31 March

	2013 **HK$'000**	2012 HK$'000
Decrease in deferred tax liabilities and total non-current liabilities	**31,926**	20,046
Increase in net assets and reserves	**31,926**	20,046

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(iii) Consolidated statement of financial position at 1 April 2011

	HK$'000
Decrease in deferred tax liabilities and total non-current liabilities	13,962
Increase in net assets and reserves	13,962

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral arrangements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 April 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("**OCI**"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 April 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 April 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosure of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group’s policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(a) (continued)
In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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 – $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives ranging from five to ten years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include bank balances and cash, trade and other receivables, amounts due from associates, investments held-for-trading and loans and interests receivable.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("**FVTPL**")

Financial assets at fair value through profit or loss include investments held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated as at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "**loss event**") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) processing fee income when services are provided;

(c) franchise fee income, on a straight-line basis over the franchise period;

(d) management and promotion fee income when services are provided;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "**PRC**") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute to a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. Further details are included in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and interests 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. Further details of loans and interests receivable are included in note 24 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of deferred tax assets are included in note 29 to the financial statements.

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and the aged analysis of the outstanding receivables and on management's estimation.

A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their operations and the goods and services they provide and has four reportable operating segments 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that other income, unallocated expenses, finance costs, changes in fair values of investments held-for-trading and investment properties, gain on disposal of subsidiaries, gain on partial disposal of equity interests in an associate, impairment losses recognised in respect of an associate and share of results of associates are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (continued)

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable 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		Eliminations		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
SEGMENT REVENUE:												
Sales to external customers	**640,244**	554,757	**135,975**	156,849	**22,936**	31,356	**9,362**	9,110	**–**	–	**808,517**	752,072
Intersegment sales	**–**	–	**–**	1,659	**33,605**	41,553	**5,082**	4,424	**(38,687)**	(47,636)	**–**	–
Total	**640,244**	554,757	**135,975**	158,508	**56,541**	72,909	**14,444**	13,534	**(38,687)**	(47,636)	**808,517**	752,072
SEGMENT RESULTS	**57,599**	54,020	**(12,830)**	10,901	**(1,359)**	(1,848)	**2,671**	4,473			**46,081**	67,546
Other income											**34,939**	32,045
Unallocated expenses											**(26,464)**	(23,413)
Finance costs											**(2,503)**	(2,216)
Change in fair value of investments held-for-trading, net											**1,218**	(57,328)
Fair value gains on investment properties											**72,000**	36,876
Gain on disposal of subsidiaries											**661**	–
Gain on partial disposal of equity interests in an associate											**12,787**	–
Impairment losses recognised in respect of an associate											**–**	(269,473)
Share of results of associates											**10,139**	2,098
Profit/(loss) before tax											**148,858**	(213,865)
Income tax expense											**(539)**	(6,894)
Profit/(loss) for the year											**148,319**	(220,759)

4. OPERATING 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
ASSETS										
Assets excluding goodwill	**239,084**	180,176	**76,040**	76,056	**13,164**	16,466	**562,875**	448,710	**891,163**	721,408
Goodwill	**7,700**	7,700	**7,635**	7,635	**–**	–	**–**	–	**15,335**	15,335
Segment assets	**246,784**	187,876	**83,675**	83,691	**13,164**	16,466	**562,875**	448,710	**906,498**	736,743
Investments in associates									**279,195**	372,471
Loans and interests receivable									**404,628**	303,361
Investments held-for-trading									**57,132**	58,094
Tax recoverable									**9,324**	3,100
Deferred tax assets									**4,384**	3,696
Bank balances and cash									**356,145**	139,387
Unallocated assets									**34,981**	11,773
Consolidated total assets									**2,052,287**	1,628,625
LIABILITIES										
Segment liabilities	**80,498**	66,174	**9,172**	11,951	**3,749**	5,979	**3,835**	2,398	**97,254**	86,502
Bank borrowings									**262,779**	140,120
Tax payable									**1,369**	4,950
Deferred tax liabilities									**1,628**	2,695
Unallocated liabilities									**4,308**	4,451
Consolidated total liabilities									**367,338**	238,718

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

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

4. OPERATING 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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 (i))	**10,786**	12,900	**88**	56	**82**	52	**–**	64,628	**23,735**	58	**34,691**	77,694
Depreciation	**9,584**	7,055	**29**	12	**1,157**	1,219	**4,064**	3,778	**1,486**	1,639	**16,320**	13,703
Amortisation of other intangible assets	**204**	196	**–**	–	**–**	–	**–**	–	**–**	–	**204**	196
Recognition/(reversal) of impairment losses of trade and other receivables	**186**	(88)	**6**	–	**8**	36	**–**	–	**–**	–	**200**	(52)
Allowance/(reversal of allowance) for obsolete inventories	**(1,167)**	(294)	**164**	33	**513**	202	**–**	–	**–**	–	**(490)**	(59)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:												
Finance costs	**103**	200	**141**	173	**–**	–	**2,259**	1,843	**–**	–	**2,503**	2,216
Interest income (Note (ii))	**129**	21	**–**	–	**–**	–	**16**	53	**27,068**	23,768	**27,213**	23,842

Notes:

(i) Additions to non-current assets include investment properties, property, plant and equipment and other intangible assets.

(ii) Interest income consists of effective interest income on loans receivable, bank deposits and investments held-for-trading.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
Hong Kong	**609,527**	546,389
The PRC	**151,879**	162,564
Singapore	**20,431**	21,675
Others	**26,680**	21,444
	808,517	752,072

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
Hong Kong	**907,855**	862,217
The PRC	**369**	514
Singapore	**1,313**	2,361
	909,537	865,092

The non-current assets above are based on the locations of the assets and excluded financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 March 2013 and 2012, no revenue from transactions with a single external customer contributed over 10% of the total sales of the Group.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; and management and promotion fees received.

An analysis of the Group's revenue and other income is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
REVENUE		
Sales of goods	**798,320**	742,107
Rental income from investment properties	**9,362**	9,110
Management and promotion fees	**835**	855
	808,517	752,072
OTHER INCOME		
Effective interest income on loans receivable	**26,478**	23,144
Interest income on bank deposits	**735**	283
Interest income on investments held-for-trading	**–**	415
Dividends from investments held-for-trading	**1,578**	2,582
Franchise income	**90**	90
Processing fee income	**1,238**	1,712
Sub-lease rental income	**2,933**	2,554
Others	**1,887**	1,265
	34,939	32,045

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories recognised as an expense (including reversal of allowance for obsolete inventories of approximately HK$490,000 (2012: approximately HK$59,000))		**443,207**	397,699
Depreciation	14	**16,320**	13,703
Amortisation of other intangible assets	19	**204**	196
Research and development costs		**837**	2,077
Auditors' remuneration:			
Current year		**2,150**	2,199
Underprovision/(overprovision) in prior years		**164**	(624)
		2,314	1,575
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries and other benefits		**115,405**	110,143
Share-based payment		**45**	152
Pension scheme contributions		**7,094**	8,233
		122,544	118,528
Exchange losses, net		**83**	1,065
Recognition/(reversal) of impairment losses of trade and other receivables	21	**200**	(52)
Gross rental income		**(9,362)**	(9,110)
Less: direct outgoing expenses		**188**	195
		(9,174)	(8,915)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**1,720**	711
Bank borrowings not wholly repayable within five years	**783**	1,505
	2,503	2,216

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**560**	560
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**3,221**	3,206
Performance and discretionary bonuses*	**1,179**	596
Share-based payment	**–**	7
Pension scheme contributions	**66**	60
	4,466	3,869
	5,026	4,429

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, individual performance of the directors and comparable market statistics during the year.

In prior years, share options were granted to a director, in respect of her services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the dates of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

The remuneration paid to executive directors and independent non-executive directors during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance and discretionary bonuses HK$'000	Share-based payment HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. Tang Ching Ho	**–**	**635**	**66**	**–**	**15**	**716**
Mr. Chan Chun Hong, Thomas	**–**	**635**	**66**	**–**	**15**	**716**
Ms. Tang Mui Fun	**–**	**1,951**	**1,047**	**–**	**36**	**3,034**
	–	**3,221**	**1,179**	**–**	**66**	**4,466**
Independent non-executive directors:						
Mr. Leung Wai Ho	**140**	**–**	**–**	**–**	**–**	**140**
Mr. Yuen Chi Choi	**140**	**–**	**–**	**–**	**–**	**140**
Mr. Siu Man Ho, Simon	**140**	**–**	**–**	**–**	**–**	**140**
Mr. Cho Wing Mou	**140**	**–**	**–**	**–**	**–**	**140**
	560	**–**	**–**	**–**	**–**	**560**
2012						
Executive directors:						
Mr. Tang Ching Ho	–	610	64	–	12	686
Mr. Chan Chun Hong, Thomas	–	610	64	–	12	686
Ms. Tang Mui Fun	–	1,986	468	7	36	2,497
	–	3,206	596	7	60	3,869
Independent non-executive directors:						
Mr. Leung Wai Ho	140	–	–	–	–	140
Mr. Yuen Chi Choi	140	–	–	–	–	140
Mr. Siu Man Ho, Simon	140	–	–	–	–	140
Mr. Cho Wing Mou	140	–	–	–	–	140
	560	–	–	–	–	560

There were no emoluments payable to the independent non-executive directors during the year (2012: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2013 and 2012.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining four (2012: four) non-director, highest paid employees are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,765**	3,684
Performance and discretionary bonuses	**1,020**	838
Share-based payment	**10**	39
Pension scheme contributions	**58**	48
	4,853	4,609

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**3**	2
	4	4

In prior years, share options were granted to these non-directors, highest paid employees, in respect of their services to the Group, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in profit or loss of the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

Hong Kong profits tax and Singapore income tax have been provided at the rates of 16.5% and 17% (2012: 16.5% and 17%) on the estimated assessable profits arising in Hong Kong and Singapore, respectively during the year. 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 25% (2012: 24%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2013 **HK$'000**	2012 HK$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	**944**	8,639
Underprovision/(overprovision) in prior years	**9**	(1,852)
Current – other jurisdictions		
Charge for the year	**1,242**	168
Underprovision in prior years	**99**	–
Deferred taxation (note 29)	**(1,755)**	(61)
Total tax charge for the year	**539**	6,894

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2013 **HK$'000**	2012 HK$'000 (Restated)
Profit/(loss) before tax	**148,858**	(213,865)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**24,562**	(35,288)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**373**	(25)
Underprovision/(overprovision) in prior years	**108**	(1,852)
Profits and losses attributable to associates	**(1,673)**	(346)
Income not subject to tax	**(19,125)**	(11,042)
Expenses not deductible for tax	**3,074**	45,951
Tax losses utilised from previous periods	**(14,118)**	(344)
Tax losses not recognised	**9,621**	9,848
Utilisation of deductible temporary differences previously not recognised	**(2,292)**	(18)
Deductible temporary differences not recognised	**79**	10
Effect of tax concession	**(70)**	–
Tax charge at the Group's effective rate	**539**	6,894

10. INCOME TAX EXPENSE (continued)

The share of tax attributable to associates amounted to approximately HK$4,226,000 (2012: approximately HK$6,496,000) is included in “Share of results of associates” in profit or loss of the consolidated statement of comprehensive income.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a loss of approximately HK$7,040,000 (2012: approximately HK$8,931,000) which has been dealt with in the financial statements of the Company, which is included in note 32(b).

12. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Proposed final – HK0.3 cents (2012: Nil) per ordinary share	**8,793**	–

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

No interim dividend was declared in respect of the years ended 31 March 2013 and 2012.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,156,323,791 (2012: 2,036,142,969) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2013 and 2012 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2013 **HK$'000**	2012 HK$'000 (Restated)
EARNINGS/(LOSS)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations	**148,433**	(220,838)

	Number of shares **2013**	 2012
SHARES		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	**2,156,323,791**	2,036,142,969

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer system HK$'000	Construction in progress HK$'000	Total HK$'000
COST:								
At 1 April 2011	129,906	41,008	34,159	32,861	1,725	10,616	–	250,275
Additions	27,404	7,868	882	3,696	–	374	–	40,224
Disposals	–	(1,300)	(518)	(151)	–	(83)	–	(2,052)
Exchange realignment	–	29	60	19	23	24	–	155
At 31 March 2012 and 1 April 2012	157,310	47,605	34,583	36,425	1,748	10,931	–	288,602
Additions	–	5,291	2,723	2,496	–	428	23,734	34,672
Transfer from investment properties (note 15)	20,000	–	–	–	–	–	–	20,000
Disposals	–	–	–	(7)	–	(16)	–	(23)
Exchange realignment	–	32	70	15	11	3	–	131
At 31 March 2013	177,310	52,928	37,376	38,929	1,759	11,346	23,734	343,382
DEPRECIATION:								
At 1 April 2011	3,768	32,370	27,072	30,927	995	9,168	–	104,300
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)
Exchange realignment	–	15	42	15	12	13	–	97
At 31 March 2012 and 1 April 2012	7,706	36,271	28,679	32,426	1,190	9,776	–	116,048
Provided for the year	4,224	6,600	2,367	2,308	185	636	–	16,320
Eliminated on disposals	–	–	–	(7)	–	(16)	–	(23)
Exchange realignment	–	23	53	14	12	2	–	104
At 31 March 2013	11,930	42,894	31,099	34,741	1,387	10,398	–	132,449
CARRYING AMOUNT:								
At 31 March 2013	165,380	10,034	6,277	4,188	372	948	23,734	210,933
At 31 March 2012	149,604	11,334	5,904	3,999	558	1,155	–	172,554

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings as at 31 March 2013 and 2012 are situated in Hong Kong and are held under the following lease terms:

	Group	
	2013	2012
	HK$'000	HK$'000
Long term leases	**74,960**	56,549
Medium term leases	**90,420**	93,055
	165,380	149,604

At 31 March 2013, certain of the Group's land and buildings with a net carrying amount of approximately HK$160,385,000 (2012: approximately HK$144,449,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INVESTMENT PROPERTIES

		Group	
	Note	**2013**	2012
		HK$'000	HK$'000
Carrying amount at 1 April		**304,000**	229,900
Additions		**–**	37,224
Transfer to owner-occupied property	14	**(20,000)**	–
Gains from fair value adjustments		**72,000**	36,876
Carrying amount at 31 March		**356,000**	304,000

The Group's investment properties as at 31 March 2013 and 2012 are situated in Hong Kong and are held under the following lease terms:

	Group	
	2013	2012
	HK$'000	HK$'000
Long term leases	**21,000**	36,000
Medium term leases	**335,000**	268,000
	356,000	304,000

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties were revalued on 31 March 2013 by Vigers Appraisal and Consulting Limited, an independent professional qualified valuer, at HK$356,000,000 (2012: HK$304,000,000) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further details of which are included in note 37(a) to the financial statements.

At 31 March 2013, the Group's investment properties with an aggregate carrying value of HK$356,000,000 (2012: HK$304,000,000) and certain rental income generated from there were pledged to secure the general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on page 127.

16. GOODWILL

Group

	HK$'000
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013:	
Cost	298,964
Accumulated impairment	(283,629)
Net carrying amount	15,335

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("**CGU**") for impairment testing:

- 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 recoverable amounts of both cash-generating units were determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections for the CGUs of Subsidiary A and Subsidiary B were 14.80% (2012: 11.40%) and 12.99% (2012: 11.02%), respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2012: 3%).

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Total
	HK$'000
At 31 March 2013 and 2012:	
Subsidiary A	7,700
Subsidiary B	7,635
	15,335

Assumptions were used in the value in use calculation of the CGU for the years ended 31 March 2013 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecasted growth rates – The forecasted growth rates are based on industry forecasts.

Expected changes in selling prices and direct costs – The expected amounts are based on historical operating records and expectation of future changes in the market.

Discount rates – The 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.

During the years ended 31 March 2013 and 2012, management of the Group determines that there is no impairment of goodwill on any of its CGUs.

17. INVESTMENTS IN ASSOCIATES

	Notes	2013 HK$'000	2012 HK$'000
Cost of investments in associates:	(a)		
Shares listed in Hong Kong, at cost	(b), (c)	**473,824**	678,318
Unlisted shares, at cost	(d)	**3,831**	3,831
Less: impairment losses recognised		**(214,815)**	(307,167)
		262,840	374,982
Share of post-acquisition profits and other comprehensive income, net of dividends received		**17,826**	(407)
Share of other reserve		**(1,471)**	(2,104)
		279,195	372,471
Market value of listed investments		**719,235**	369,942

The Group's trade receivable balances with the associates are disclosed in note 22 to the financial statements.

Particulars of all the associates are as follows:

Name	Place of incorporation/ operation	Nominal value of issued share capital	Percentage of equity attributable to the Group 2013	2012	Principal activity
Creation Sino Limited	Hong Kong	Ordinary HK$2,500,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
Fortune Way Trading Limited	Hong Kong	Ordinary HK$1,000,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
PNG Resources Holdings Limited ("**PNG**")*	Cayman Islands/ Hong Kong	Ordinary HK$7,691,500,000	**34.63% (Note (b))**	49.59%	Investment holding
Winning Forever Limited	Hong Kong	Ordinary HK$2,500,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products

The above associates are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* Listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of its subsidiaries are the sale of fresh pork meat and related products, property development in the PRC, and forestry and logging operations in Papua New Guinea.

17. INVESTMENTS IN ASSOCIATES (continued)

Notes:

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

	2013	2012
	HK$'000	HK$'000
At 1 April	**59,806**	329,279
Disposal of partial interests in PNG	**(18,030)**	–
Impairment loss recognised	**–**	(269,473)
At 31 March	**41,776**	59,806

(b) On 22 November 2012, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Wang On Group Limited ("**Wang On**"), pursuant to which the Group transferred 1,150,000,000 shares of PNG, being approximately 14.95% of the Group's equity interest in PNG, at an aggregate consideration of HK$110,400,000 to the indirect wholly-owned subsidiary of Wang On. The transfer was completed on 27 December 2012 and a gain on partial disposal of equity interests in PNG of approximately HK$12,787,000 was recognised for the year ended 31 March 2013 and included in "Gain on partial disposal of equity interests in an associate" in the consolidated statement of comprehensive income.

(c) The summarised financial information has been extracted from the published financial information of PNG as below:

	2013	2012
	HK$'000	HK$'000
Total assets	**1,980,801**	2,135,606
Total liabilities	**(1,176,799)**	(1,362,964)
Net assets	**804,002**	772,642
The Group's share of net assets of an associate	**234,615**	310,168
Revenue	**953,450**	273,539
Profit for the year	**20,950**	13,597
Other comprehensive income	**10,410**	32,409
The Group's share of profit and other comprehensive income of an associate for the year	**14,109**	17,550

17. INVESTMENTS IN ASSOCIATES (continued)

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

	2013 HK$'000	2012 HK$'000
Total assets	**12,212**	10,198
Total liabilities	**(4,406)**	(3,383)
Net assets	**7,806**	6,815
The Group's share of net assets of associates	**2,804**	2,497
Revenue	**27,830**	26,023
Profit and other comprehensive income for the year	**1,210**	876
The Group's share of profits and other comprehensive income of associates for the year	**473**	219

18. INVESTMENTS IN SUBSIDIARIES

	Notes	Company 2013 HK$'000	 2012 HK$'000
Unlisted shares, at cost		**–**	–
Due from subsidiaries	(i)	**1,945,838**	1,927,352
Due to subsidiaries	(i)	**(336,462)**	(214,438)
		1,609,376	1,712,914
Less: accumulated impairment	(ii)	**(311,631)**	(420,639)
		1,297,745	1,292,275

Notes:

(i) The amounts are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries of approximately HK$162,912,000 (2012: approximately HK$175,935,000), which bear interest at 5% (2012: 5%) per annum. The carrying amounts of these amounts approximate to their fair values.

(ii) The impairment relates primarily to amounts due from subsidiaries that had suffered from losses for years or ceased operations.

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operation	Nominal value of issued share capital	Percentage of equity attributable to the Company Directly 2013	Directly 2012	Indirectly 2013	Indirectly 2012	Principal activity
Asia Brighter Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Billion Good Investment Limited	Hong Kong	Ordinary share HK$2	–	–	**99.79%**	99.79%	Property holding
CNT Health Food Pte Limited	Singapore	Ordinary share Singapore dollar ("**SGD**") 1,694,737	–	–	**95.00%**	95.00%	Production and sale of bottled birds' nest drinks and herbal essence products
Full Gainer Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Grand Quality Development Limited	Hong Kong	Ordinary share HK$2	–	–	**100.00%**	100.00%	Property investment
Info World Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary share HK$434,747	–	–	**99.79%**	99.79%	Production and sale of Western pharmaceutical and health food products
Richest Ever Limited	Hong Kong	Ordinary share HK$2	–	–	**99.79%**	99.79%	Trading of Chinese pharmaceutical and health food products
Sino Fame Investments Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	–	Property investment
Smart First Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Smart Star Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Star Sense Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operation	Nominal value of issued share capital	Percentage of equity attributable to the Company Directly 2013	Directly 2012	Indirectly 2013	Indirectly 2012	Principal activity
Union Target Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Topmate Investment Limited	Hong Kong	Ordinary share HK$1	–	–	**100.00%**	100.00%	Property investment
Total Smart Investments Limited	British Virgin Islands	Ordinary share United States dollar ("**USD**")1	**100.00%**	100.00%	–	–	Investment holding
Wai Yuen Tong (Macao) Limited	Macau	Ordinary share Macau Pataca 25,000	–	–	**99.79%**	–	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong (Retail) Limited	Hong Kong	Ordinary share HK$2	–	–	**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	Ordinary share HK$217,374 Non-voting deferred share* HK$17,373,750	–	–	**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#	Mainland China	Registered capital RMB10,163,680	–	–	**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 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.

\# A wholly-owned foreign enterprise under PRC law.

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

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

19. OTHER INTANGIBLE ASSETS

Group

	Trademarks HK$'000
31 March 2013	
Cost at 1 April 2012, net of accumulated amortisation	732
Additions	19
Amortisation provided during the year	(204)
At 31 March 2013	547
At 31 March 2013:	
Cost	2,067
Accumulated amortisation	(1,520)
Net carrying amount	547
31 March 2012	
Cost at 1 April 2011, net of accumulated amortisation	682
Additions	246
Amortisation provided during the year	(196)
At 31 March 2012	732
At 31 March 2012 and at 1 April 2012:	
Cost	2,048
Accumulated amortisation	(1,316)
Net carrying amount	732

The trademarks have finite useful lives and are amortised on a straight-line basis over 5 to 10 years.

20. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials and consumables	**38,678**	32,270
Work in progress	**13,766**	6,967
Finished goods	**99,975**	73,523
	152,419	112,760

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**98,787**	89,891	**–**	–
Less: accumulated impairment	**(3,408)**	(3,207)	**–**	–
	95,379	86,684	**–**	–
Rental and other deposits	**25,336**	21,654	**4,387**	4,387
Prepayments	**18,925**	17,735	**1,689**	1,893
Other receivables	**15,147**	29,261	**26**	9
Less: accumulated impairment	**–**	(15,000)	**–**	–
	59,408	53,650	**6,102**	6,289
Total trade and other receivables	**154,787**	140,334	**6,102**	6,289

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 60 to 120 days. Each customer has a maximum credit limit and credit limit are reviewed regularly. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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. 76% (2012: 85%) of the trade receivables that are neither past due nor impaired are with good credit quality in view of good historical repayment records.

21. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$22,966,000 (2012: approximately HK$13,057,000) 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:

	Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**11,770**	9,571
31 – 60 days	**5,512**	2,788
61 – 120 days	**3,422**	698
121 – 180 days	**994**	–
Over 180 days	**1,268**	–
	22,966	13,057

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, except for a receivable that were past due over 180 days but not impaired relate to the sales to a PRC customer that have continuous settlements subsequent to reporting date. The directors are of opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements in the allowance for doubtful debts

		Group	
	Note	**2013**	2012
		HK$'000	HK$'000
At 1 April		**18,207**	18,260
Recognition/(reversal) of impairment losses of trade and other receivables	6	**200**	(52)
Amount written off as uncollectible		**(15,000)**	(1)
Exchange realignment		**1**	–
At 31 March		**3,408**	18,207

21. TRADE AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful debts (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$3,408,000 (2012: approximately HK$3,207,000) that are considered irrecoverable by 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.

As at 31 March 2012, included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$15,000,000. The amount represents full impairment of outstanding advances to a former subsidiary which are considered irrecoverable by management as the amounts were 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 whole amount was written off as uncollectible for the year ended 31 March 2013. 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 the respective group entities, are set out below:

	Group	
	2013	2012
	HK$'000	HK$'000
Renminbi ("**RMB**")	**–**	4,078
SGD	**208**	330
USD	**4**	–

22. AMOUNTS DUE FROM ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables due from associates	**3,931**	2,801

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

As at 31 March 2013 and 2012, substantially all of the trade receivables are neither past due nor impaired. The directors of the Company are of the opinion that no provision for impairment is necessary as the directors assessed that the balances will be fully recoverable based on their settlement records. The Group does not hold any collateral over these balances.

23. INVESTMENTS HELD-FOR-TRADING

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments in Hong Kong, at market value	**55,352**	56,221	**6,785**	9,745
Unlisted mutual funds outside Hong Kong, at fair value	**1,780**	1,873	**–**	–
	57,132	58,094	**6,785**	9,745

The above investments at 31 March 2013 and 2012 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

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

At the end of the reporting period, the investments held-for-trading that are denominated in USD, other than the function currency of the respective group entities, amounted to approximately HK$1,780,000 (2012: approximately HK$1,873,000).

24. LOANS AND INTERESTS RECEIVABLE

Details of the loans and interests receivable are as follows:

Loan	Name of borrower	Maturity date	Effective interest rate per annum	2013 HK$'000	2012 HK$'000
8% unsecured HK$190 million loan	PNG	12 November 2013	7.95%	**193,748**	193,789
8% unsecured HK$10 million loan	PNG	8 July 2014	7.43%	**11,379**	10,583
8% unsecured HK$15 million loan	PNG	10 August 2013	7.43%	**18,166**	16,969
				223,293	221,341
10% unsecured HK$60 million loan	China Agri-Products Exchange Limited ("**CAP**")*	30 September 2014	9.54%	**63,008**	65,760
10% unsecured HK$15 million loan	CAP	30 September 2014	9.54%	**15,752**	16,260
10% unsecured HK$100 million loan	CAP	27 December 2015	9.15%	**102,575**	–
				181,335	82,020
				404,628	303,361
Less: loans and interests receivable classified as non-current assets				**(186,379)**	(221,341)
				218,249	82,020

* CAP is an associate of PNG and is listed on the Stock Exchange.

Loans and interests receivable were neither past due nor impaired. The credit quality of these loans is considered good as the directors assessed that PNG and CAP could generate sufficient funds from their normal course of business for repayment of the loans upon maturity. There was no significant change in the credit quality during the year. The carrying amounts of these loans and interests receivable approximate to their fair values.

25. BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**52,194**	87,453	**2,427**	780
Time deposits	**303,951**	51,934	**298,951**	39,914
	356,145	139,387	**301,378**	40,694

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of three months or less depending on the immediate cash requirements of the Group, and earn interest at the effective short term time deposit rates ranging from 0.01% to 1.3% (2012: 0.01% to 2.1%) per annum. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate to their fair values.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**68**	1,226	**17**	1,093
Euro ("**EUR**")	**145**	1,065	**–**	–
SGD	**4,848**	626	**4,522**	621
RMB	**908**	93	**–**	–
HK$	**84**	47	**–**	–
Australian dollar	**5**	–	**–**	–

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**64,857**	45,648	**–**	–
Accrual of salaries and commission	**10,944**	9,672	**115**	248
Accrual of purchases	**–**	6,616	**–**	–
Accrual of advertising and promotion	**3,694**	4,597	**–**	–
Rental deposits received	**2,244**	2,933	**154**	140
Other payables and accruals	**19,805**	21,469	**1,809**	1,581
	101,544	90,935	**2,078**	1,969

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

	Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**19,117**	22,581
31 – 60 days	**19,319**	20,126
61 – 120 days	**25,247**	309
Over 120 days	**1,174**	2,632
	64,857	45,648

The credit periods on purchase of goods are 30 to 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 the respective group entities, are set out below:

	Group	
	2013	2012
	HK$'000	HK$'000
RMB	**17,055**	7,596
New Taiwan Dollar ("**NTD**")	**1,647**	2,422
USD	**833**	1,858
SGD	**–**	1,537
HK$	**594**	940
EUR	**645**	413
Great Britain Pound ("**GBP**")	**–**	334

27. BANK BORROWINGS

Group

	2013			2012		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans – secured	**HIBOR+ (1.28 – 1.70)**	**2023 – 2031**	**3,284**	HIBOR+ (1.25 – 1.45)	2013 – 2025	14,327
Long term bank loans repayable on demand – secured	**Prime rate – 2.90/ HIBOR+ (1.25 – 2.50)**	**On demand**	**212,057**	HIBOR+ (1.25 – 1.70)	On demand	44,681
Long term bank loan repayable on demand – unsecured	**HIBOR+1.28**	**On demand**	**7,333**	HIBOR+1.28	On demand	10,000
			222,674			69,008
Non-current: Bank loans – secured	**HIBOR+ (1.28 – 1.70)**	**2023 – 2031**	**40,105**	HIBOR+ (1.25 – 1.45)	2013 – 2025	71,112
			262,779			140,120

	Group	
	2013	2012
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**222,674**	69,008
In the second year	**3,284**	11,327
In the third to fifth years, inclusive	**9,852**	24,880
Beyond five years	**26,969**	34,905
	262,779	140,120

Note: As further explained in note 40(b) to the financial statements, the Group's term loans with an aggregate amount of approximately HK$219,390,000 (2012: approximately HK$54,681,000) containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

27. BANK BORROWINGS (continued)

At the end of the reporting period, the maturity profile of interest-bearing loans based on the scheduled repayment dates set out in the loan agreements is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**20,317**	21,136
In the second year	**20,317**	18,136
In the third to fifth years, inclusive	**54,951**	41,973
Beyond five years	**167,194**	58,875
	262,779	140,120

Notes:

(a) Certain bank loans of the Group are secured by the Group's land and buildings (note 14) and investment properties (note 15) and certain rental income generated from there amounted to approximately HK$160,385,000 (2012: HK$144,449,000) and HK$356,000,000 (2012: HK$304,000,000), respectively.

In addition, the Company has guaranteed the Group's bank loans up to approximately HK$262,779,000 (2012: HK$140,120,000) as at the end of the reporting period.

(b) All bank loans of the Group bear interest at floating interest rates.

(c) The carrying amounts of the bank loans of the Group approximate to their fair values.

28. DEFERRED FRANCHISE INCOME

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 April	**18**	18
Additions during the year	**90**	90
Recognised during the year	**(90)**	(90)
Carrying amount at 31 March	**18**	18

29. DEFERRED TAXATION

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

	Accelerated tax depreciation	Allowance for bad and doubtful debts	Revaluation of investment properties and land and building	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011, as previously reported	427	516	(13,962)	(13,019)
Change in accounting policy – Adoption of HKAS 12 Amendments (note 2.2)	–	–	13,962	13,962
At 1 April 2011, as restated	427	516	–	943
Deferred tax credited/(charged) to profit or loss during the year (as restated) (note 10)	62	(1)	–	61
Exchange realignment	(3)	–	–	(3)
At 31 March 2012 and 1 April 2012, as restated	486	515	–	1,001
Deferred tax credited to profit or loss during the year (note 10)	1,755	–	–	1,755
At 31 March 2013	2,241	515	–	2,756

29. DEFERRED TAXATION (continued)

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:

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Deferred tax assets	**4,384**	3,696
Deferred tax liabilities	**(1,628)**	(2,695)
	2,756	1,001

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of approximately HK$194,222,000 (2012: approximately HK$220,911,000) that are available indefinitely for offsetting against future profits of the companies in which the losses arose. The Group also has unused tax losses arising in Mainland China of approximately HK$230,000 (2012: approximately HK$796,000), that will expire in two to three years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 March 2013 and 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised approximately HK$7,334,000 at 31 March 2013 (2012: approximately HK$4,056,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
60,000,000,000 (2012: 60,000,000,000) ordinary shares of HK$0.01 (2012: HK$0.01) each	**600,000**	600,000
Issued and fully paid:		
2,931,142,969 (2012: 2,036,142,969) ordinary shares of HK$0.01 (2012: HK$0.01) each	**29,311**	20,361

During the year, the movements in share capital of the Company were as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2011, 31 March 2012 and 1 April 2012	2,036,142,969	20,361	1,195,767	1,216,128
Issue of shares (Note)	895,000,000	8,950	149,285	158,235
Share issue expense (Note)	–	–	(4,542)	(4,542)
At 31 March 2013	2,931,142,969	29,311	1,340,510	1,369,821

Note: On 30 November 2012, the Company, Rich Time Strategy Limited ("**Rich Time**"), an indirect wholly-owned subsidiary of Wang On, and Kingston Securities Limited ("**Kingston**"), the placing agent, entered into a placing and subscription agreement pursuant to which Rich Time agreed to place through Kingston 250,000,000 shares of the Company to certain independent parties at a price of HK$0.125 per share; and (ii) Rich Time has conditionally agreed to subscribe for an aggregate of 250,000,000 shares at a price of HK$0.125 per share (the "**Top-up Placing and Subscription**"). The Top-up Placing and Subscription was completed on 5 December 2012.

In addition, on 30 November 2012 and 8 March 2013, the Company and Kingston entered into placing agreements pursuant to which the Company agreed to allot and issue through Kingston, 157,000,000 and 488,000,000 shares of the Company to certain independent parties at prices of HK$0.125 and HK$0.22 per share, respectively. The completion dates of these two transactions were 7 January 2013 and 26 March 2013, respectively.

Share options

Details of the Company's share option scheme are set out in note 31 to the financial statements.

31. SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the "**2003 Scheme**") for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company and its subsidiaries. Pursuant to the 2003 Scheme, which will expire on 17 September 2013, the board of directors 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 price 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 2003 Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Scheme shall not exceed 10% of the shares in issue as at the date of approval of the 2003 Scheme.

The total number of shares in respect of which options may be granted to an eligible person under the 2003 Scheme is not permitted to exceed 1% of the aggregate number of shares for the time being issued and issuable under the 2003 Scheme.

The options granted under the 2003 Scheme vest as follows:

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

31. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the 2003 Scheme during the year:

	2013 Weighted average exercise price HK$ per share	**2013** Number of options '000	2012 Weighted average exercise price HK$ per share	2012 Number of options '000
At 1 April	**1.023**	**2,160**	1.380	2,692
Lapsed/forfeited during the year	**1.504**	**(770)**	2.831	(532)
At 31 March	**0.756**	**1,390**	1.023	2,160

There were no share options granted or exercised for the years ended 31 March 2013 and 2012. The Group recognised a share-based payment of approximately HK$45,000 (2012: approximately HK$159,000) during the year ended 31 March 2013.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
582	**1.2050**	**8.1.2010 to 7.1.2019**
808	**0.4321**	**12.5.2011 to 11.5.2020**
1,390		

2012

Number of options '000	Exercise price* HK$ per share	Exercise period
514	1.8782	2.1.2009 to 1.1.2013
689	1.2050	8.1.2010 to 7.1.2019
957	0.4321	12.5.2011 to 11.5.2020
2,160		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

31. SHARE OPTION SCHEME (continued)

At the end of the reporting period, the Company had 1,389,816 (2012: 2,159,932) share options outstanding under the 2003 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,389,816 additional ordinary shares of the Company and additional share capital of approximately HK$14,000 (2012: approximately HK$22,000) and share premium of approximately HK$1,037,000 (2012: approximately HK$2,188,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 1,389,816 share options outstanding under the 2003 Scheme, which represented approximately 0.047% of the Company's shares in issue at that date.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the consolidated financial statements.

(i) Special reserve

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.

(ii) General reserve

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.

(iii) Other reserve

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.

32. RESERVES (continued)

(b) Company

	Share premium HK$'000	Special reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2011	1,195,767	(27,150)	215,599	1,684	125,210	1,511,110
Total comprehensive loss for the year	–	–	–	–	(178,488)	(178,488)
Recognition of share-based payment	–	–	–	159	–	159
Lapse/forfeiture of share options	–	–	–	(643)	643	–
Final 2011 dividend declared	–	–	–	–	(6,108)	(6,108)
At 31 March and 1 April 2012	1,195,767	(27,150)	215,599	1,200	(58,743)	1,326,673
Total comprehensive income for the year	–	–	–	–	109,160	109,160
Issue of shares	149,285	–	–	–	–	149,285
Share issue expenses	(4,542)	–	–	–	–	(4,542)
Recognition of share-based payment	–	–	–	45	–	45
Lapse/forfeiture of share options	–	–	–	(606)	606	–
At 31 March 2013	1,340,510	(27,150)	215,599	639	51,023	1,580,621

33. RETIREMENT BENEFIT PLANS

The Group participates in a 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 Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes the lower of HK$1,250 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 Mainland China 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$7,160,000 (2012: approximately HK$8,293,000) 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 2013, contributions of approximately HK$393,000 (2012: approximately HK$350,000) due in respect of the reporting period had not been paid over to the schemes.

34. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2013

On 28 August 2012, the Group disposed of its entire equity interests in Source Millennium Limited, Geswin Limited and WOD Investments Limited, wholly-owned subsidiaries of the Group, to a subsidiary of Wang On at an aggregate cash consideration of HK$730,000.

Details of the net assets disposed of and the financial impact are summarised below:

	2013 **HK$'000**
Net assets disposed of:	
Other receivables	**54**
Bank balances and cash	**15**
	69
Gain on disposal of subsidiaries	**661**
Satisfied by:	
Cash	**730**

34. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 March 2013 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Total HK$'000
Cash consideration	**730**
Bank balances and cash disposed of	**(15)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**715**

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**459,743**	228,290

As at 31 March 2013, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$262,779,000 (2012: approximately HK$140,120,000).

36. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group are included in notes 14, 15 and 27 to the financial statements.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases and sub-leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Property rental income and sub-lease income earned during the year were approximately HK$9,362,000 (2012: approximately HK$9,110,000) and approximately HK$2,933,000 (2012: approximately HK$2,554,000), respectively. The properties are expected to generate rental yield of 2.8% (2012: 3.0%) on an ongoing basis.

At 31 March 2013, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**11,063**	9,599	**1,848**	420
In the second to fifth years, inclusive	**18,752**	2,302	**2,310**	–
	29,815	11,901	**4,158**	420

(b) As lessee

The Group leases certain of its office properties and retail shops under operating lease arrangements. Leases for properties are negotiated for terms 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 was approximately HK$19,933,000 (2012: approximately HK$18,979,000).

The Group made minimum lease payments of approximately HK$91,101,000 (2012: approximately HK$77,954,000) under operating leases during the year in respect of its office properties and retail shops.

37. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

At 31 March 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**73,789**	66,298	**13,160**	13,160
In the second to fifth years, inclusive	**86,073**	113,662	**39,480**	52,640
	159,862	179,960	**52,640**	65,800

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
– Property, plant and equipment	**13,555**	376
– Investment property	**37,000**	–
	50,555	376

At the end of the reporting period, the Company did not have any significant commitments.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2013 HK$'000	2012 HK$'000
Wang On and its subsidiaries			
– Rental received by the Group	(i)	**1,950**	1,824
– Rental paid by the Group	(i)	**1,470**	2,490
– Management fee paid by the Group	(i)	**960**	960
– Sales of Chinese pharmaceutical products by the Group	(ii)	**889**	4,610
Associates			
– Sales of Chinese pharmaceutical products by the Group	(ii)	**19,354**	17,921
– Rental received by the Group	(i)	**1,330**	1,280
– Effective interest income on loans received by the Group	(iii)	**17,151**	17,249
– Management and promotion fees received by the Group	(i)	**835**	855

Notes:

(i) The transactions were based on terms mutually agreed between the Group and the related parties.

(ii) The sales to one of the subsidiaries of Wang On and PNG were made according to the published prices and conditions that the Group offered to its customers.

(iii) Interest was charged by the Group on loans advanced to PNG. Details of the terms of the relevant loans are set out in note 24 to the financial statements.

(b) **Compensation of key management personnel of the Group**
Details of compensation of key management personnel of the Group are set out in note 8 to the financial statements.

Except for the rental received by the Group from one of the subsidiaries of Wang On of HK$144,000 (2012: HK$144,000), the management fee paid to Wang On and its subsidiary of HK$840,000 (2012: HK$840,000) and HK$120,000 (2012: HK$120,000), respectively, and transactions with the associates, all related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital, reserves and retained profits/(accumulated losses).

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

(a) Categories of financial instruments

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
FINANCIAL ASSETS				
Investments held-for-trading	**57,132**	58,094	**6,785**	9,745
Loans, trade and other receivables (including cash and cash equivalents)	**900,566**	568,148	**1,939,998**	1,551,803
FINANCIAL LIABILITIES				
Amortised cost	**338,019**	199,324	**336,632**	214,594

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates, loans and interests receivable, investments held-for-trading, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Market risk

(i) Currency risk

The Company and several subsidiaries of the Company have foreign currency sales and purchases and foreign currency bank deposits, which expose the Group to foreign currency risk. Approximately 1.7% (2012: 2.2%) of the Group's bank deposits are denominated in currency other than the functional currency of the group entities. Substantially all of the Group's sales are denominated in the relevant group entities' functional currency, whilst almost 63.7% (2012: 70.2%) of the purchase costs are denominated in the relevant group entities' functional currency.

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

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**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**594**	940	**84**	47
RMB	**17,054**	7,596	**908**	4,171
USD	**833**	1,858	**1,852**	3,099
SGD	**–**	1,537	**5,056**	956
EUR	**645**	413	**145**	1,065
GBP	**–**	334	**–**	–
NTD	**1,647**	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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 27) and bank deposits (see note 25) at prevailing market interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk and will consider hedging significant interest rate risk should the need arise.

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. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits 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 profit for the year ended 31 March 2013 would increase/decrease by approximately HK$172,000 (2012: loss increase/decrease by approximately HK$585,000). 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Market risk (continued)

(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 23.

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% (2012: 10%) 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% (2012: 10%) and all other variables were held constant, the Group's profit for the year ended 31 March 2013 would increase/decrease by approximately HK$4,771,000 (2012: loss decrease/increase by approximately HK$4,851,000).

Liquidity risk

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

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

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

Group

	Weighted average interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	1 to 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 2013								
Trade and other payables	**–**	**72,837**	**313**	**2,090**	**–**	**–**	**75,240**	**75,240**
Bank borrowings – variable rate	**2.12**	**220,397**	**1,004**	**1,998**	**15,476**	**29,131**	**268,006**	**262,779**
		293,234	**1,317**	**4,088**	**15,476**	**29,131**	**343,246**	**338,019**
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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Company

	On demand or less than 3 months	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000
As at 31 March 2013			
Due to subsidiaries (note 18)	**336,462**	**336,462**	**336,462**
Other payables	**170**	**170**	**170**
	336,632	**336,632**	**336,632**
As at 31 March 2012			
Due to subsidiaries (note 18)	214,438	214,438	214,438
Other payables	156	156	156
	214,594	214,594	214,594

All of the Company's financial liabilities at the end of the reporting period are repayable within one year or on demand. In addition, as disclosed in note 35, the Company has given financial guarantees to banks in respect of banking facilities granted to subsidiaries of the Company, of which approximately HK$262,779,000 (2012: approximately HK$140,120,000) was utilised at the reporting date. In the event of the failure of those subsidiaries to fulfil their obligations under these banking facilities, the Company may be required to pay up to the guaranteed amounts to the banks upon demand. Management considers it is not probable that the Company will be required to pay for any claim under these financial guarantees.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2013, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$219,390,000 (2012: approximately HK$54,681,000). 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 three months 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:

	2013 **HK$'000**	2012 HK$'000
Less than 3 months	**5,666**	1,747
3 to 6 months	**5,641**	1,737
Over 6 months to 1 year	**11,209**	3,453
Over 1 to 5 years	**80,197**	23,337
Over 5 years	**153,694**	31,365
Total undiscounted cash flows	**256,407**	61,639

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are 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 2013, 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$223,293,000 (2012: HK$221,341,000) and loans to CAP of approximately HK$181,335,000 (2012: HK$82,020,000) as detailed in note 24. As PNG and CAP are listed entities, management of the Group reviews their published financial information regularly to ensure that such loans are recoverable at the respective maturity dates.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk (continued)

In order to minimise the credit risk on trade and other receivables, 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 receivable 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.

(c) Fair value

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

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

- the fair value of the investments held-for-trading in note 23 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 to 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).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

- 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).

	2013			
	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Investments held-for-trading	**55,352**	**1,780**	**–**	**57,132**

	2012			
	Group			
	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

	2013			
	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Investments held-for-trading	**6,785**	**–**	**–**	**6,785**

	2012			
	Company			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Investments held-for-trading	9,745	–	–	9,745

There were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 in the current year (2012: Nil).

41. EVENTS AFTER THE REPORTING PERIOD

(i) On 28 May 2013, Give Power Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement with CAP, pursuant to which Give Power Limited agreed to grant CAP an unsecured loan facility of not exceeding HK$150,000,000 at an interest rate of 12% per annum for a term of three years. On 29 May 2013, HK$100,000,000 was drawn down by CAP.

(ii) On 31 January 2013, Sino Fame Investments Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to purchase an investment property at a consideration of HK$81,000,000, details of which were set out in the Company's announcement dated 4 February 2013. The transaction was completed on 2 April 2013.

42. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2011 has been presented.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2013.

PARTICULARS OF PROPERTIES

For the year ended 31 March 2013

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Shop B, G/F, Nos. 23-33 Shui Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop G, 103 Hip Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
G/F, 581 Nathan Road, Mongkok, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop B, G/F, 296 Electric Road, North Point, Kowloon	Commercial premises for rental	Long term lease	100%

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2013

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting deferred tax on investment properties, as detailed in note 2.2 to the financial statements.

RESULTS

	Year ended 31 March				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013 HK$'000**
Revenue	496,151	529,305	639,512	752,072	**808,517**
Profit/(loss) before tax	(345,764)	47,907	125,561	(213,865)	**148,858**
Income tax expense	(178)	(2,876)	(12,158)	(6,894)	**(539)**
Profit/(loss) for the year	(345,942)	45,031	113,403	(220,759)	**148,319**
Attributable to:					
Owners of the parent	(345,906)	45,797	107,641	(220,838)	**148,433**
Non-controlling interests	(36)	(766)	5,762	79	**(114)**
	(345,942)	45,031	113,403	(220,759)	**148,319**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013 HK$'000**
Total assets	753,120	1,236,901	1,801,236	1,628,625	**2,052,287**
Total liabilities	(153,571)	(131,832)	(199,117)	(238,718)	**(367,338)**
	599,549	1,105,069	1,602,119	1,389,907	**1,684,949**
Equity attributable to owners of the parent	592,736	1,098,988	1,594,383	1,382,097	**1,677,284**
Non-controlling interests	6,813	6,081	7,736	7,810	**7,665**
	599,549	1,105,069	1,602,119	1,389,907	**1,684,949**