Asia Resources Holdings Limited
亞洲資源控股有限公司*

(Stock Code: 899)

ANNUAL REPORT

2007

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Zhang Cheng *(Chairman)*
Mr. Lin Dong *(Chief Executive Officer)*
Mr. Feng Xiang Cai

Independent Non-executive Directors

Mr. Ngai Sau Chung, Howard
Mr. Jiang Guoan
Mr. Lin Ye

COMPANY SECRETARY

Ms. Leung Sau Fong

PRINCIPAL BANKERS

China Construction Bank Corporation
Hong Kong Branch
Agricultural Bank of China
CITIC Ka Wah Bank Limited
Guangdong Development Bank
The Hongkong and Shanghai Banking
Corporation Limited
Wenzhou City Commercial Bank

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 04, 34/F., Bank of America Tower
12 Harcourt Road
Central, Hong Kong

REGISTRARS (IN BERMUDA)

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

REGISTRARS (IN HONG KONG)

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

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Luxembourg Room I, 3rd Floor, Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 24 August 2007 at 9:30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 March 2007 and the Reports of the Directors and Auditors thereon.

2. To re-elect retiring directors and to grant power to the Board of Directors to fix directors' remuneration.

3. To re-appoint auditor and to authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

   A. "**THAT**

      (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

      (c) the aggregate nominal amount of shares issued, allotted, or dealt with by the Directors pursuant to the approval granted in paragraph (a) of this resolution, otherwise than the issue of shares by way of rights, scrip dividend schemes or similar arrangements in accordance with the Bye-laws of the Company or any options granted under the share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Bye-laws of the Company to be held; and

(iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

B. "**THAT**

(a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of securities to be purchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Bye-laws of the Company to be held; and

(iii) the date on which the authority sets out in the Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

C. "**THAT** the general unconditional mandate granted to the Directors of the Company to issue, allot and deal with shares pursuant to Ordinary Resolution No. 4A set out in the notice convening this meeting be and is hereby extended by addition thereto of an amount representing the aggregate nominal amount of the shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 4B set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this resolution."

By order of the Board
Leung Sau Fong
Company Secretary

Hong Kong, 27 July 2007

Notes:

i. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

ii. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company at Unit 3404, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

iii. The Register of Members will be closed from Monday, 20 August 2007 to Friday, 24 August 2007, both days inclusive, during which period no transfer of shares will be effected.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. Zhang Cheng, aged 49, is the Chairman of the Group. She is responsible for the formulation of corporate strategy and the overall direction for the Group. Ms. Zhang holds a Master of Science degree from University of Manitoba, Canada and a Master of Science degree from Beijing University of Science and Technology, the People Republic of China ("PRC"). She joined the Group in 2003 and has over 24 years of experience in project investments, real estate development and investment and mechanical engineering field.

Mr. Lin Dong, aged 44, is the Chief Executive Officer of the Group. He is responsible for the overall financial management, corporate planning and corporate governance of the Group. He joined the Group in 2002 and has over 19 years of experience in capital market, investment management and corporate planning in Hong Kong and the PRC.

Mr. Feng Xiang Cai, aged 59, is responsible for the business development of the Group especially in exploring new business or investment opportunity since he has board business connection in Hong Kong and the PRC. He joined the Group in 2002 and has over 29 years of experience in general trading, property development and investment management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ngai Sau Chung, Howard, aged 40, is currently the Head of the Corporate Finance Department of Mirant Asia-Pacific Limited, which is the Asia Regional Office of a power generating company namely Mirant Corporation. Mr. Ngai holds a Bachelor Degree of Accountancy from Concordia University, Canada and a Master Degree in Economics from Murry State University, USA. Mr. Ngai is a Certified Public Accountant of Washington State Board of Accountancy and a member of American Institute of Certified Public Accountants. He joined the Group in 2005. Mr. Ngai had held managerial positions in various American and Japanese financial institutions and has over 16 years experience in international corporate finance, project finance, trade finance, insurance, risk management and project administration.

Mr. Jiang Guoan, aged 60, is currently the chief executive officer of China Huali Holding Group Co., Ltd. ("China Huali"). He attended the People of China Artillery Polytechnic（中國人民解放軍炮兵工程學院）. He joined the Group in 2006. Mr. Jiang is currently in charge of the real estate, medical services and energy section of China Huali. Mr. Jiang has extensive business experience in the PRC and has over 9 years of experience in real estate, property development and construction industry.

Mr. Lin Ye, aged 51, currently the general manager of the Strategic and Development Department of China Overseas Holdings Limited. He graduated from the Harbin University of Civil Engineering and Architecture, and obtained his Master Degree in Economics from the Nankai University, a PhD degree from the Remin University of China, and possesses the title of Senior Economist in China. He joined the Group in 2006. He was the general manager of the Strategic Planning Department of the Sinochem Corporation from 1991 to 2003. Mr. Lin has 16 years of experience in the management and coordination of foreign trade, construction and real estate business.

The Board has adopted the code provisions set out in the Code of Corporate Governance Practices ("the Code") contained in Appendix 14 to the Rules Governing the Listing Rules on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), which become effective on 1 January 2005. The Company has applied the principles and complied with the requirements of the Code, except for certain deviations in respect of the service term and rotation of directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances.

During the year, 8 board meetings were held and the attendance of each director is set out as follows:

DIRECTORS	NUMBER OF ATTENDANCE
Ms. Zhang Cheng	4/8
Mr. Lin Dong	8/8
Mr. Feng Xiang Cai	8/8
Mr. Ngai Sau Chung, Howard	4/8
Mr. Jiang Guoan	4/8
Mr. Lin Ye	4/8

Board Minutes are kept by the Company Secretary and are sent to the Directors for records.

Each board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

BOARD COMPOSITION

The Board currently comprises three Executive Directors, being Ms. Zhang Cheng (Chairman), Mr. Lin Dong (Chief Executive Officer), Mr. Feng Xiang Cai and three Independent Non-executive Directors, being Mr. Ngai Sau Chung, Howard, Mr. Jiang Guoan and Mr. Lin Ye.

The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting and appropriate expertise. They provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Independent Non-executive Directors of the Company were not appointed for specific terms but subject to retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-laws of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director and three Independent Non-executive Directors.

A Remuneration Committee meeting was held on 15 December 2006. The attendance of each member is set out as follows:

DIRECTORS	NUMBER OF ATTENDANCE
Mr. Lin Dong	1/1
Mr. Ngai Sau Chung, Howard	1/1
Mr. Jiang Guoan	1/1
Mr. Lin Ye	1/1

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

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and

2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Executive Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the Board the overall remuneration policy for the Executive Directors and key senior management.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 March 2007, the Directors have adopted suitable accounting polices which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 March 2007 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors.

The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance of each member of Audit Committee is set out as follows:

DIRECTORS	NUMBER OF ATTENDANCE
Mr. Ngai Sau Chung, Howard	2/2
Mr. Jiang Guoan	2/2
Mr. Lin Ye	2/2

The Audit Committee has reviewed with management the accounting standards and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the interim report and the audited financial statements of the Group for the year ended 31 March 2007.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable
	HK$'000
Audit services	600
Non-audit services	20

COMMUNICATION WITH SHAREHOLDERS

The Board recognize the importance of good communication with all shareholders. Shareholders of the Company are encouraged to attend the general meeting of the Company. The chairman of the Board, or in her absence, another member of the Board is available at the general meeting to answer questions from shareholders on the business of the Group.

On behalf of the Board of Directors (the "Board") of Asia Resources Holdings Limited (the "Company"), I present to our shareholders the report and the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007.

RESULTS

For the year ended 31 March 2007, the Group's turnover amounted to HK$132,415,000, an increase of about 12% as compared to the previous year. The net loss attributable to shareholders amounted to HK$158,688,000 (2006: HK$182,686,000) which represented a decrease of 13% as compared to last year. The basic loss per share for the year ended 31 March 2007 was HK$11.24 cents (2006: HK$12.94 cents).

The Board did not recommend the payment of any dividend for the year (2006: nil).

BUSINESS REVIEW

The Group recorded a turnover of HK$132,415,000 for the year (2006: HK$117,954,000), which represented an increase of about 12% as compared to last year. The net loss attributable to shareholders amounted to HK$158,688,000 (2006: HK$182,686,000), which represented a decrease of 13% as compared to last year. The increase in turnover was driven mainly by the increment in customers and market shares. The decrease in loss was primarily attributable to the decrease in the recognition of impairment of goodwill which was 34% less than previous year.

During the period under review, competitions in the intravenous fluid market were still dominated by price, and the Group adjusted the prices of products accordingly so as to enhance competitiveness. However, rising price in raw materials led to increasing production costs which in turn affected gross profit margin. Attribute to the expanded scale of production and increased in market shares, the sales volume increased about 28% as compared to the previous year which in turn leveraged the overall sales value to increase about 12%. However, due to the decrease in the average selling price, the gross profits margin of products reduced from about 43% of previous year to about 39% of this year.

During the year, distribution and selling expenses increased about HK$13,641,000, representing an increase of about 42% as compared to the previous year. The increase of distribution and selling expenses was mainly because of increased sales efforts, strengthen market development and marketing terminals. But under the strict control of management, the growth rate of selling expenses are expected to slower than in the next year. Additionally, staff costs increased from corresponding period of the previous year due to additional expenses incurred by the integrated sales and management model.

The commercial/residential project in Hangzhou of Zhejiang Province, developed by an associate of the Group, is still under construction. Its accumulated presale proceeds amounted to approximately RMB375,405,000 as at 31 March 2007. During the year, a series of measures were taken in connection with macro-control on real estate industry to slow down the increase in real estate investment, so property purchasers and investors to take more conservative views, which caused slight slowdown to the sales progress of the properties. During this year, the associate purchased another commercial/residential project with a site area of approximately 10,600 square metres, located alongside the Qiantang River in Hangzhou, which started presales in April 2007 at an average selling price of approximately RMB12,000 per square metre.

During the year, these associates has contributed a loss to the Group of approximately HK$7,035,000 (2006: HK$3,275,000), which primarily consisted of daily operating expenses such as management fees, selling expenses of the property and interest expenses.

During the year, the Group utilized about HK$36,480,000 to purchase the investment properties located in Beijing, the PRC. The purchased investment properties are leased office premises with total floor area of about 1,900 square metres. At the year end, the relevant investment properties were revaluated at approximately HK$30,334,000. The investment properties were sold at a price of about HK$34,041,000 in May 2007, in order to reduce the impacts caused by the uncertainty in the PRC policies on real estate.

PROSPECTS

During the year, the State improved the control over hospital medicine purchase management, medicine price and medicine purchase, which accelerated the reform of medical system and increased the market concentration and transparency. The Group has expanded sales networks and established reputable brands to leverage the healthy development of the intravenous fluid industry, which is directly facilitated by the reform and accelerated consolidation of the industry. After the consolidation period, in light of its extensive experience in the industry and scale of production, plus strict production control, the Group is expected to benefit from the improvement of operating environments.

Additionally, part of the commercial/residential projects located in Hangzhou of Zhejiang Province, developed by an associate of the Group, will be completed in 2008, which will bring about reasonable return to the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2007, the Group had total assets of HK$506,638,000 (2006: HK$634,724,000) which was financed by current liabilities of HK$125,187,000 (2006: HK$105,747,000), long term liability of HK$82,912,000 (2006: HK$84,139,000) and shareholders' equity of HK$298,539,000 (2006: HK$444,838,000).

The Group's current ratio as at 31 March 2007 was approximately 1.47 (2006: 2.02) and gearing ratio, representing the total borrowings divided by the shareholders' equity was approximately 55.5% (2006: 35.0%). The increase of the gearing ratio was mainly due to the loss incurred for the year.

The total outstanding borrowings of the Group as at 31 March 2007 were denominated in Renminbi with fixed interest rates.

As at 31 March 2007, certain property, plant and equipment, with an aggregate net book value of approximately HK$50,249,000 (2006: HK$56,613,000), land use rights amount of HK$12,056,000 (2006: HK$8,521,000) and investment properties amount of HK$30,334,000 (2006: nil), had been pledged to secure banking facilities granted to the Group.

As at 31 March 2007, except for a guarantee to the extent of about HK$16,408,000 to a bank to secure the loan facility granted to its associate, the Group had no other material capital commitment and contingent liabilities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the year. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

EMPLOYEE AND REMUNERATION POLICY

The Group has a total of approximately 834 employees in Hong Kong and the PRC as at 31 March 2007. Remuneration packages are generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and sponsored employees in different training and continuous education programs.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders and business associates for their ongoing support and extend our appreciation to our management team and staff members for their contributions to our achievements in the year.

By order of the Board
Zhang Cheng
Chairman

Hong Kong, 13 July 2007

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 35 and 19 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 25.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

SHARE OPTIONS

Details of share options are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

There was no Company's reserves available for distribution to shareholders as at 31 March 2007, which comprises contributed surplus of HK$180 million less accumulated losses of HK$448 million of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent an aggregate amount of approximately HK$5.5 million on the acquisition of property, plant and equipment for expansion and improvement of the manufacturing facilities of its pharmaceutical business.

During the year, the Group acquired investment properties at a cost of approximately HK$36 million and revalued all of its investment properties at 31 March 2007. The decrease in fair value of investment properties, which has been debited directly to profit or loss, amounted to approximately HK$7 million.

Details of these and other movements in property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 16 respectively to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Ms. Zhang Cheng *(Chairman)*
Mr. Lin Dong *(Chief Executive Officer)*
Mr. Feng Xiang Cai

Independent non-executive directors:

Mr. Ngai Sau Chung, Howard	
Mr. Jiang Guoan	(appointed on 19 April 2006)
Mr. Lin Ye	(appointed on 7 July 2006)
Ms. Jin Jane	(resigned on 19 April 2006)
Mr. Yin Dakui	(resigned on 7 July 2006)

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Lin Dong and Mr. Feng Xiang Cai retire and, being eligible, offers themselves for re-election.

The term of office of each of the independent and non-executive directors is the period up to their retirement as required by the Company's Bye-laws.

None of the director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2007, the interests and short position of the directors, chief executive and their respective associates in the shares, underlying shares and debentures and share options of the Company or any of its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long position in ordinary shares of HK$0.05 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Yong (Note)	Held by controlled corporation	852,000,000	60.36%
Ms. Zhang Cheng (Note)	Interest of spouse	852,000,000	60.36%
Guardwell Investments Limited (Note)	Beneficial owner	420,000,000	29.75%
Eagle Asia Investments Limited (Note)	Beneficial owner	232,000,000	16.44%
Eagle China Investments Limited (Note)	Beneficial owner	200,000,000	14.17%

Note: Mr. Wu Yong beneficially owns and controls Guardwell Investments Limited ("Guardwell"), Eagle Asia Investments Limited ("Eagle Asia") and Eagle China Investments Limited ("Eagle China"). Ms. Zhang Cheng, the chairman and executive director of the Company, is the wife of Mr. Wu Yong. Accordingly, Mr. Wu Yong and Ms. Zhang Cheng are deemed to be interested in the shares through Guardwell, Eagle Asia and Eagle China.

Save as disclosed above, none of the directors, chief executive nor their associates, had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 March 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in respect of the directors' interests in securities and note 27 to the consolidated financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of the directors' interests in securities, the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Long positions in ordinary shares of HK$0.05 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Yong (Note 1)	Held by controlled corporation	852,000,000	60.36%
Ms. Zhang Cheng (Note 1)	Interest of spouse	852,000,000	60.36%
Guardwell (Note 1)	Beneficial owner	420,000,000	29.75%
Eagle Asia (Note 1)	Beneficial owner	232,000,000	16.44%
Eagle China (Note 1)	Beneficial owner	200,000,000	14.17%
Ms. Wang Jin Song (Note 2)	Held by controlled corporation	129,380,827	9.17%
Ankeen Enterprises Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Group Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Shenzhen Neptunus Health Drugstore Co., Ltd. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Hong Kong Neptunus Health Drugstore Limited (Note 2)	Held by controlled corporation	129,380,827	9.17%
Advance Year Company Inc. (Note 2)	Held by controlled corporation	129,380,827	9.17%
Landstar Investments Limited (Note 2)	Beneficial owner	129,380,827	9.17%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long positions in ordinary shares of HK$0.05 each of the Company (continued)

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Industrial Bank Co., Ltd. Shenzhen Bagualing Sub-branch (Note 3)	Held by controlled corporation	129,380,827	9.17%
China Life Trustees Limited (Note 4)	Trustee	99,100,000	7.02%
China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch (Note 4)	Held by controlled corporation	99,100,000	7.02%

Notes:

1. Mr. Wu Yong beneficially owns and controls Guardwell, Eagle Asia and Eagle China. Ms. Zhang Cheng, the chairman and executive director of the Company, is the wife of Mr. Wu Yong. Accordingly, Mr. Wu Yong and Ms. Zhang Cheng are deemed to be interested in the shares through Guardwell, Eagle Asia and Eagle China.

2. Ms. Wang Jin Song ("Ms. Wang") beneficially owns 85% interests in Ankeen Enterprises Limited ("AEL"). AEL beneficially owns 41.93% interests in Shenzhen Neptunus Group Co., Ltd. ("SNGCL"). SNGCL beneficially owns 86% interests in Shenzhen Neptunus Health Drugstore Co., Limited ("SNHDCL"). SNHDCL beneficially owns 100% interests in Hong Kong Neptunus Health Drugstore Limited ("HKNHDL"). HKNHDL beneficially owns 100% interests in Advance Year Company Inc. ("AYCI"). AYCI beneficially owns 100% interests in Landstar Investments Limited ("LIL").

   Accordingly, Ms. Wang, AEL, SNGCL, SNHDCL, HKNHDL and AYCI are deemed to be interested in the 9.17% shares held by LIL.

3. Industrial Bank Co., Ltd. Shenzhen Bagualing sub-branch ("Industrial Bank") is deemed to be interested in the 129,380,827 shares as LIL has pledged its shares to Industrial Bank.

4. China Life Trustees Limited is accustomed to act in accordance with directions of China Life Insurance (Overseas) Co., Ltd. Hong Kong Branch which is deemed to be interested in the shares held by China Life Trustees Limited.

Save as disclosed above, the Company has not been notified of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 March 2007, which would fall to be disclosed under 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.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers comprised approximately 17% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 47% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 12% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, have an interest in any of the five largest suppliers or customers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2007.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in the note 33 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rules 13.20 and 13.22 of the Listing Rules, the following disclosures are included in respect of financial assistance and guarantees to affiliated companies.

As at 31 March 2007, the Group had provided to its affiliated companies financial assistance and guarantees amounting, in aggregate, to approximately HK$54,762,000 which exceeded 8% of the total assets of the Company. Further details of such financial assistance and guarantees are disclosed in note 19 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (CONTINUED)

As at 31 March 2007, the summarised financial information, as disclosed in note 19 to the consolidated financial statements, of the affiliated companies is set out as follows:

	HK$'000
Non-current assets	1,128
Current assets	1,211,368
Current liabilities	(532,585)
Net current assets	678,783
Total assets less current liabilities	679,911
Capital and reserves	382,743
Non-current liabilities	297,168
	679,911

Details of the above affiliated companies are set out in note 19 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

MR. LIN DONG
DIRECTOR

Hong Kong, 13 July 2007

Deloitte.
德勤

TO THE MEMBERS OF ASIA RESOURCES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 69, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY (CONTINUED)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**132,415**	117,954
Cost of sales		**(81,374)**	(67,438)
Gross profit		**51,041**	50,516
Other income		**6,314**	5,925
Distribution and selling expenses		**(45,874)**	(32,233)
Administrative expenses		**(25,892)**	(20,962)
Share of loss of associates		**(7,035)**	(3,275)
Loss on fair value changes of investment properties		**(7,229)**	–
Impairment of goodwill	18	**(114,493)**	(174,000)
Finance costs	8	**(11,216)**	(9,523)
Loss before tax	9	**(154,384)**	(183,552)
Income tax (charge) credit	12	**(4,304)**	866
Loss for the year attributable to the equity holders		**(158,688)**	(182,686)
Loss per share	13		
– Basic		**(11.24 cents)**	(12.94 cents)

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**164,401**	172,325
Prepaid lease payments	15	**13,212**	9,747
Investment properties	16	**30,334**	–
Intangible assets	17	**–**	736
Goodwill	18	**–**	114,493
Interests in associates	19	**114,823**	116,725
Deposits for acquisition of property, plant and equipment and intangible assets		**100**	3,040
Deferred tax assets	20	**–**	4,240
		322,870	421,306
Current assets			
Inventories	21	**20,677**	21,344
Trade and other receivables	22	**86,666**	96,453
Loans to an associate	19	**38,354**	37,825
Bank balances and cash	23	**38,071**	57,796
		183,768	213,418
Current liabilities			
Trade and other payables	24	**42,462**	33,929
Tax liabilities		**–**	251
Borrowings	25	**82,725**	71,567
		125,187	105,747
Net current assets		**58,581**	107,671
Total assets less current liabilities		**381,451**	528,977
Capital and reserves			
Share capital	26	**70,572**	70,572
Reserves		**227,967**	374,266
Total equity		**298,539**	444,838
Non-current liability			
Borrowings	25	**82,912**	84,139
		381,451	528,977

The consolidated financial statements on pages 25 to 69 were approved and authorised for issue by the Board of Directors on 13 July 2007 and are signed on its behalf by:

MR. FENG XIANG CAI
DIRECTOR

MR. LIN DONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 28)	PRC statutory reserve funds HK$'000 (Note 28)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	70,572	497,831	92,926	1,812	–	(39,206)	623,935
Exchange differences arising on translation to presentation currency	–	–	–	–	3,589	–	3,589
Loss for the year	–	–	–	–	–	(182,686)	(182,686)
Total recognised income and expense for the year	–	–	–	–	3,589	(182,686)	(179,097)
Transfers	–	–	–	304	–	(304)	–
At 31 March 2006	70,572	497,831	92,926	2,116	3,589	(222,196)	444,838
At 1 April 2006	70,572	497,831	92,926	2,116	3,589	(222,196)	444,838
Exchange differences arising on translation to presentation currency	–	–	–	–	12,389	–	12,389
Loss for the year	–	–	–	–	–	(158,688)	(158,688)
Total recognised income and expense for the year	–	–	–	–	12,389	(158,688)	(146,299)
Transfers	–	–	–	978	–	(978)	–
At 31 March 2007	**70,572**	**497,831**	**92,926**	**3,094**	**15,978**	**(381,862)**	**298,539**

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(158,688)**	(182,686)
Adjustments for:			
Income tax charge (credit)		**4,304**	(866)
Share of loss of associates		**7,035**	3,275
Impairment of goodwill		**114,493**	174,000
Interest income on bank deposits		**(1,273)**	(3,418)
Interest income on loans to an associate		**(3,216)**	(1,062)
Interest expenses		**11,216**	9,523
Depreciation of property, plant and equipment		**19,696**	16,277
Amortisation of intangible assets		**565**	759
Impairment of intangible assets		**186**	–
Prepaid lease payments		**409**	320
Gain on disposal of investments held for trading		**(324)**	(967)
Gain on disposal of property, plant and equipment		**–**	(60)
(Reversal of allowance) allowance for bad and doubtful receivables		**(94)**	660
Loss on fair value changes of investment properties		**7,229**	–
Operating cash flows before movements in working capital		**1,538**	15,755
Decrease (increase) in inventories		**694**	(6,623)
Decrease in investments held for trading		**324**	967
Decrease (increase) in trade and other receivables		**14,979**	(27,711)
Increase (decrease) in trade and other payables		**7,281**	(1,513)
Cash from (used in) operations		**24,816**	(19,125)
PRC income tax paid		**(676)**	(1,896)
Net cash generated from (used in) operating activities		**24,140**	(21,021)

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
INVESTING ACTIVITIES			
Interest received		**5,717**	4,480
Purchase of property, plant and equipment		**(6,744)**	(8,894)
Government grants received in respect of purchase of property, plant and equipment		**1,387**	–
Payments for investment properties		**(36,480)**	–
Payments for land use rights		**(662)**	–
Proceeds from disposal of property, plant and equipment		**3**	272
Purchase of intangible assets		**–**	(68)
Investment in an associate		**–**	(120,000)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	29	**–**	(25,522)
Loans to an associate		**–**	(37,391)
Net cash used in investing activities		**(36,779)**	(187,123)
FINANCING ACTIVITIES			
Interest paid		**(11,216)**	(9,523)
New bank loans raised		**101,936**	71,567
Repayment of bank loans		**(99,090)**	(73,516)
Net cash used in financing activities		**(8,370)**	(11,472)
Net decrease in cash and cash equivalents		**(21,009)**	(219,616)
Cash and cash equivalents at beginning of the year		**57,796**	277,000
Effect of foreign exchange rate changes		**1,284**	412
Cash and cash equivalents at end of the year			
Bank balances and cash	23	**38,071**	57,796

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The functional currency of the Company is Renminbi ("RMB") which is the currency of the primary economic environment in which the group entities operates. For the purpose of presenting the consolidated financial statements, Hong Kong dollar is used as the presentation currency because the Company's shares are listed on the Stock Exchange in Hong Kong.

The Company acts as an investment holding company, while its subsidiaries are principally engaged in the manufacture and sales of pharmaceutical products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations ("HK(IFRIC)") (collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006.

Financial guarantee contracts

In the current year, the Group has applied HKAS 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006. A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

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

In relation to financial guarantee granted to a bank over the repayment of a loan by an associate during the year ended 31 March 2007, the directors considered that the fair value of the financial guarantee contract at the date of grant is immaterial.

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

The Group has not early applied the following new standards, amendments or interpretations that have been issued but not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the financial position and the results of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[6]
HK(IFRIC) – INT 12	Service concession arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below:

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

Previously capitalised goodwill arising on acquisitions of subsidiaries is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates (continued)

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

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss.

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalised. Construction in progress is not depreciated until completion of construction and the asset is put into use. The cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives after considering their estimated residual values, using the straight line method, at the following rates per annum:

Buildings	4%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20% – 50%
Motor vehicles	$12\frac{1}{2}$% – 30%
Plant and machinery	$6\frac{2}{3}$% – 30%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

Investment properties

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Leasehold land use rights

Interest in leasehold land use rights is accounted for as prepaid lease payment and is amortised over the lease term on a straight-line basis.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. 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 recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets.

Retirement benefit costs

Payments to defined contribution retirement benefit plans (state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme) are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Research and development expenditure

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

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

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (other than goodwill)

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

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

Inventories

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

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets comprise primary loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policy adopted in respect of loans and receivables are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and loans to an associate) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Derecognition

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made the following estimation that have the most significant effect in the next financial year on the amounts recognised in the consolidated financial statements:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the respective cash-generating unit and a suitable discount rate in order to calculate present value. The Group recognised an impairment loss for goodwill amounting to HK$114,493,000 during the year ended 31 March 2007. Details of the impairment loss calculation are provided in note 18.

5. FINANCIAL INSTRUMENTS

5A. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans to an associate, bank balances and cash, trade and other payables, and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group's operations are mainly in the People's Republic of China (the "PRC") other than Hong Kong, and the sales and purchases transactions are conducted using Renminbi, as such the foreign currency risk is minimal. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank loans. The Group's cash flow interest rate risk relates primarily to bank balances carried at prevailing market rate. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider restructure the Group's credit facilities should the need arise.

5. FINANCIAL INSTRUMENTS (CONTINUED)

5A. Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. As at 31 March 2007, the Group's maximum exposure to credit risk of financial guarantee is the amount disclosed in note 19. In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties, except for interest-bearing loans of HK$38,354,000 to an associate.

The credit risk on liquid funds is limited because majority of the counterparties are either banks of high credit quality in Hong Kong or state-owned banks in the PRC.

Liquidity risk

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

5B. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

Revenue, which is stated net of value added tax and other sales taxes and returns, represents amounts invoiced to customers for sales of pharmaceutical products during the year.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of pharmaceutical products in the PRC. Accordingly, no business segment and geographical analysis of information is presented.

8. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**11,216**	9,523

9. LOSS BEFORE TAX

	2007	2006
	HK$'000	HK$'000
Loss before tax has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	**2,420**	2,523
Other staff costs	**10,611**	8,709
Other staff's retirement benefits scheme contributions	**1,225**	1,256
	14,256	12,488
Depreciation of property, plant and equipment	**19,696**	16,277
Amortisation of intangible assets (included in administrative expenses)	**565**	759
Total depreciation and amortisation	**20,261**	17,036
Auditor's remuneration	**600**	700
Prepaid lease payments	**409**	320
Allowance for bad and doubtful receivables	**–**	660
Minimum lease payments under operating leases	**745**	401
Research and development costs	**130**	342
Cost of inventory recognised as an expense	**81,110**	66,762
Impairment of intangible assets	**186**	–
Gross rental income from investment properties	**(1,456)**	–
Less: direct operating expenses from investment properties that generated rental income during the year	**412**	–
	(1,044)	–
Interest income on bank deposits	**(1,273)**	(3,418)
Interest income on loans to an associate	**(3,216)**	(1,062)
Gain on disposal of investments held for trading	**(324)**	(967)
Reversal of allowance for bad and doubtful receivables	**(94)**	–
Gain on disposal of property, plant and equipment	**–**	(60)

10. DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the directors were as follow:

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total 2007 HK$'000	Total 2006 HK$'000
Executive directors:					
Ms. Zhang Cheng	–	–	–	**–**	–
Mr. Lin Dong	–	1,560	12	**1,572**	1,632
Mr. Feng Xiang Cai	–	390	12	**402**	417
Independent non–executive directors:					
Mr. Qiu Yiyong	–	–	–	**–**	50
Ms. Jin Jane	21	–	–	**21**	158
Mr. Yin Dakui	25	–	–	**25**	158
Mr. Ngai Sau Chung, Howard	150	–	–	**150**	108
Mr. Jiang Guoan	150	–	–	**150**	–
Mr. Lin Ye	100	–	–	**100**	–
	446	1,950	24	**2,420**	2,523

11. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included two (2006: two) executive directors of the Company, whose emoluments are included in note 10 above. The aggregate emoluments of the remaining three (2006: three) highest paid individuals are as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and other benefits	**1,269**	873
Retirement benefits scheme contributions	**34**	27
	1,303	900

Their emoluments were all within HK$1,000,000.

12. INCOME TAX CHARGE (CREDIT)

	2007 **HK$'000**	2006 HK$'000
The charge (credit) comprises:		
The PRC income tax	**–**	1,094
Over provision of the PRC income tax in prior years	**(20)**	–
Deferred tax (note 20)	**4,324**	(1,960)
	4,304	(866)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operations in Hong Kong had no assessable profit for the year.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at rates between 0% to 33% (2006: between 0% to 33%). Pursuant to the relevant laws and regulations in the PRC, the qualified PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC income tax for the following three years. The first profit-making year of two PRC subsidiaries are the statutory financial year ended 31 December 2002 and 2005 respectively. Other PRC subsidiary has not commenced its first profit-making year.

12. INCOME TAX CHARGE (CREDIT) (CONTINUED)

The tax charge (credit) for the years are reconciled to the loss before tax as follows:

	2007		2006	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(154,384)**		(183,552)	
Tax credit at the applicable income tax rate of 33% (2006: 33%)	**(50,947)**	**33.0**	(60,572)	33.0
Tax effect of share of loss of associates	**2,322**	**(1.5)**	1,081	(0.6)
Tax effect of expenses not deductible for tax purposes	**42,129**	**(27.3)**	57,856	(31.5)
Tax effect of income not taxable for tax purposes	**(462)**	**0.3**	(1,239)	0.7
Effect of different tax rates of subsidiaries operating in Hong Kong	**–**	**–**	43	–
Effect of tax holiday of subsidiaries operating in the PRC	**(176)**	**0.1**	(2,415)	1.3
Tax effect of tax losses not recognised	**4,063**	**(2.6)**	4,361	(2.4)
Utilisation of tax losses previously not recognised	**(477)**	**0.3**	–	–
Over provision in respect of prior year	**(20)**	**–**	–	–
Tax effects of other deductible temporary differences not recognised	**7,872**	**(5.1)**	19	–
Tax charge (credit) and effective tax rate for the year	**4,304**	**(2.8)**	(866)	0.5

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of approximately HK$158,688,000 (2006: HK$182,686,000) over 1,411,440,590 (2006: 1,411,440,590) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented as there was no potential ordinary shares in issue in both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2005	44,252	1,654	993	2,931	78,436	2,128	130,394
Acquired on acquisition of subsidiaries	34,203	897	–	–	28,911	–	64,011
Additions	79	1,419	–	1,626	6,536	806	10,466
Disposals	–	(3)	–	(433)	(99)	–	(535)
Transfers	77	231	–	–	1,772	(2,080)	–
Exchange adjustments	2,048	63	–	76	2,801	56	5,044
At 31 March 2006	80,659	4,261	993	4,200	118,357	910	209,380
Additions	489	1,276	–	509	1,982	1,230	5,486
Disposals	–	(6)	–	–	–	–	(6)
Transfers	627	2	–	–	671	(1,300)	–
Adjustment (note)	–	–	–	–	(1,024)	–	(1,024)
Exchange adjustments	3,670	185	–	142	5,388	41	9,426
At 31 March 2007	**85,445**	**5,718**	**993**	**4,851**	**125,374**	**881**	**223,262**
ACCUMULATED DEPRECIATION							
At 1 April 2005	3,910	523	993	835	14,156	–	20,417
Charge for the year	3,681	735	–	744	11,117	–	16,277
Eliminated on disposals	–	(2)	–	(292)	(29)	–	(323)
Exchange adjustments	144	20	–	24	496	–	684
At 31 March 2006	7,735	1,276	993	1,311	25,740	–	37,055
Charge for the year	4,774	1,074	–	923	12,925	–	19,696
Eliminated on disposals	–	(3)	–	–	–	–	(3)
Exchange adjustments	472	77	–	64	1,500	–	2,113
At 31 March 2007	12,981	2,424	993	2,298	40,165	–	58,861
CARRYING AMOUNTS							
At 31 March 2007	**72,464**	**3,294**	**–**	**2,553**	**85,209**	**881**	**164,401**
At 31 March 2006	72,924	2,985	–	2,889	92,617	910	172,325

Note: During the year, the Group received government grant of HK$1,024,000 which was granted as subsidy to purchase certain property, plant and equipment. Accordingly, the government grant has been applied to reduce the cost of the relevant assets.

At the balance sheet date, the Group has pledged certain of its property, plant and equipment with an aggregate carrying amount of approximately HK$50,249,000 (2006: HK$56,613,000) to certain banks to secure the credit facilities granted to the Group.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2007	2006
	HK$'000	HK$'000
Leasehold land outside Hong Kong:		
Medium-term lease	**13,625**	10,066
Analysed for reporting purposes as:		
Current portion (included in trade and other receivables)	**413**	319
Non-current portion	**13,212**	9,747
	13,625	10,066

The Group has pledged land use rights having a carrying amount of approximately HK$12,056,000 (2006: HK$8,521,000) to secure banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

	HK$'000
Fair value:	
At 1 April 2006	–
Additions	36,480
Net decrease in fair value	(7,229)
Exchange adjustments	1,083
At 31 March 2007	**30,334**

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out at that date by Messrs. LCH (Asia-Pacific) Surveyors Limited, independent valuers that are not related to the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standards on Properties was arrived at by reference to market evidence of transaction prices for similar properties or, where appropriate, by considering the capitalised income to be derived from the properties.

All the Group's investment properties have been pledged to secure banking facilities granted to the Group.

All the Group's investment properties are located outside Hong Kong.

17. INTANGIBLE ASSETS

	Medicine production licence HK$'000	Technical know-how HK$'000	Total HK$'000
COST			
At 1 April 2005	649	660	1,309
Acquired on acquisition of subsidiaries	–	440	440
Additions	–	68	68
Exchange adjustments	17	28	45
At 31 March 2006	666	1,196	1,862
Exchange adjustments	30	54	84
At 31 March 2007	**696**	**1,250**	**1,946**
AMORTISATION AND IMPAIRMENT			
At 1 April 2005	305	45	350
Charge for the year	349	410	759
Exchange adjustments	12	5	17
At 31 March 2006	666	460	1,126
Charge for the year	–	565	565
Impairment loss	–	186	186
Exchange adjustments	30	39	69
At 31 March 2007	**696**	**1,250**	**1,946**
CARRYING AMOUNTS			
At 31 March 2007	**–**	**–**	**–**
At 31 March 2006	–	736	736

During the year, the Group carried out a review of the recoverable amount of its technical know-how. The review led to the recognition of an impairment loss of approximately HK$186,000 (2006: nil), that has been recognised in profit or loss. The impairment loss is attributable to technical know-how no longer in use, which has no recoverable amount at balance sheet date.

Medicine production licence is amortised on a straight line basis over its estimated useful economic life of two years.

Technical know-how is amortised on a straight line basis over its estimated useful economic life of five years.

18. GOODWILL

	HK$'000
At 1 April 2005	231,403
Arising on acquisition of a subsidiary	57,090
Impairment loss	(174,000)
At 31 March 2006	114,493
Impairment loss	(114,493)
At 31 March 2007	**–**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill, net of accumulated impairment losses, had been allocated to each CGU as follows:

	2007 HK$'000	2006 HK$'000
Siping Ju Neng Medicine Industry Co., Ltd.	**–**	34,423
Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.	**–**	43,980
Siping Yatai Medicine Industry Co., Ltd.	**–**	36,090
	–	114,493

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the budget period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on an estimated growth rate of 6% (2006: 6%) and discounts at 8.5% (2006: 8.5%). The growth rate does not exceed the average long term growth rate for the relevant markets. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The changes in selling prices and direct costs are based on past practices and expectation of future changes in the market.

18. GOODWILL (CONTINUED)

During the year, due to the increased competition in the market, the Group has revised its cash flow forecasts for the CGUs. The CGUs have therefore been reduced to their recoverable amount through recognition of an impairment loss of HK$114,493,000 (2006: HK$174,000,000) in profit or loss.

19. INTERESTS IN ASSOCIATES

	2007 **HK$'000**	2006 HK$'000
Cost of unlisted investments in associates	**120,000**	120,000
Share of post acquisition losses	**(10,310)**	(3,275)
Exchange adjustments	**5,133**	–
	114,823	116,725
Loans to an associate	**38,354**	37,825

The loans to an associate are unsecured, interest bearing at 9% (2006: 7%) per annum and renewable on an annual basis.

At 31 March 2007, the Group provided financial guarantee in respect of a loan borrowed by an associate amounting to HK$16,408,000.

Details of the Group's associates at 31 March 2007 are as follows:

Name of associate	**Place of incorporation**	**Proportion of ownership interest/ voting power held**	**Principal activity**
Skyyield Holdings Limited	British Virgin Islands	30%	Investment holding
Zhejiang Binjiang Construction Co., Ltd. 浙江濱江建設有限公司	PRC	30%	Property development

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information, after fair value adjustment, in respect of the Group's associates is set out below:

	2007 **HK$'000**	2006 HK$'000
Total assets	**1,212,496**	769,770
Total liabilities	**(829,753)**	(380,687)
Net assets	**382,743**	389,083
Group's share of associates' net assets	**114,823**	116,725
Revenue	**–**	–
Loss for the year	**(23,450)**	(10,918)
Group's share of associates' loss for the year	**(7,035)**	(3,275)

20. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and the movements thereon during the current and prior years:

	Allowance for bad and doubtful receivables	Accrued expenses	Accelerated accounting depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	1,088	–	1,111	2,199
Credit to consolidated income statement for the year	–	1,742	218	1,960
Exchange adjustments	29	21	31	81
At 31 March 2006	1,117	1,763	1,360	4,240
Charge to consolidated income statement for the year	(1,139)	(1,798)	(1,387)	(4,324)
Exchange adjustments	22	35	27	84
At 31 March 2007	**–**	**–**	**–**	**–**

At the balance sheet date, the Group has unutilised tax losses of approximately HK$59,548,000 (2006: HK$48,680,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in the unutilised tax losses are tax losses attributable to subsidiaries in the PRC of approximately HK$16,188,000 (2006: HK$12,524,000) which will gradually expire until 2011 (2006: until 2010). Other tax losses may be carried forward indefinitely.

At balance sheet date, the Group has deductible temporary differences of approximately HK$34,953,000 (2006: HK$73,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**1,341**	1,316
Packaging materials and consumables	**3,493**	5,867
Finished goods	**15,843**	14,161
	20,677	21,344

22. TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables	**82,706**	78,650
Less: accumulated impairment	**(6,501)**	(6,705)
	76,205	71,945
Bills receivable discounted/endorsed with recourse	**3,628**	–
Other receivables	**6,420**	24,189
Prepaid lease payments (note 15)	**413**	319
	86,666	96,453

Payment terms with customers are mainly on credit. Invoices are normally settled within 90 days to 180 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables, net of impairment losses, and bills receivable discounted/endorsed with recourse at the balance sheet date:

	2007 HK$'000	2006 HK$'000
Age		
0 to 90 days	**55,626**	51,299
91 to 180 days	**15,562**	14,812
181 to 365 days	**8,645**	5,834
	79,833	71,945

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at market rates which range from 1% to 4% (2006: 1% to 4%) per annum during the year.

Included in the bank balances and cash as at 31 March 2007 were amounts in Renminbi of HK$5,945,000 (2006: HK$15,076,000) which are not freely convertible into other currencies.

24. TRADE AND OTHER PAYABLES

	2007	2006
	HK$'000	HK$'000
Trade payables	**23,305**	15,418
Other payables	**19,157**	18,511
	42,462	33,929

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Age		
0 to 90 days	**12,147**	8,603
91 to 180 days	**3,313**	3,112
181 to 365 days	**4,094**	1,282
Over 365 days	**3,751**	2,421
	23,305	15,418

The average credit period on purchases is 3 months (2006: 3 months).

25. BORROWINGS

	2007	2006
	HK$'000	HK$'000
Bank loans		
– secured	**84,934**	57,060
– unsecured	**79,879**	98,646
Bills receivable discounted with recourse	**824**	–
	165,637	155,706
The loans are repayable as follows:		
Within one year	**82,725**	71,567
In the second year	**82,912**	26,112
In the third year	**–**	58,027
	165,637	155,706
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(82,725)**	(71,567)
Amount due for settlement after 12 months	**82,912**	84,139

The carrying amounts of the Group's bank loans are all denominated in Renminbi.

The contractual interest rates in respect of fixed-rate bank loans were within the following ranges:

	2007	2006
Bank loans	**5.5%-11.6%**	5.5%-8.3%

26. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
At 31 March 2006 and 31 March 2007, ordinary shares of HK$0.05 each	10,000,000,000	500,000
Issued and fully paid:		
At 31 March 2006 and 31 March 2007, ordinary shares of HK$0.05 each	1,411,440,590	70,572

27. SHARE OPTIONS

The Company's share options scheme (the "Scheme") adopted on 14 January 2002 for the purposes of recognition of significant contribution of and for the provision of incentives to any directors, employees (whether full-time or part-time), consultants, customers, suppliers, agents, partners or advisors of or contractors to the Group or affiliates ("Eligible Persons") will expire on 13 January 2012. Under the terms of the Scheme, the board of directors of the Company may for a notional consideration of HK$1 grant options to the Eligible Persons to subscribe for shares in the Company at a price no less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Company's shares. Options granted under the Scheme must be taken up within 21 business days from the date on which the offer is made by returning a written acceptance of the offer signed by the Eligible Persons together with the payment of HK$1 per option (the "Acceptance Conditions"). Options granted and accepted may be exercised at any time for 10 years commencing on the date on which an option is accepted in accordance with the Acceptance Conditions under the Scheme (the "Option Period"). Options granted under the Scheme will be exercisable in the Option Period notwithstanding that the scheme period of the Scheme may have expired. The Scheme does not prescribe any minimum period for which an option must be held before it can be exercised and has not specified that the exercise of an option is subject to any performance target.

27. SHARE OPTIONS (CONTINUED)

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme cannot exceed 10% (the "Limit") of the issued share capital of the Company at the date of adoption of the Scheme, excluding any options lapsed in accordance with the terms of the Scheme and any other share option schemes. The limit upon which the maximum number of shares may be granted under the Scheme cannot exceed 5,894,059 shares as at 31 March 2007. However, the Company may seek approval by its shareholders in general meeting to renew the Limit from time to time.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. Option will not be granted to any Eligible Persons if the exercise in full of all options, including any unexercised options and shares already issued under all previous option granted, would in the 12-month period up to and including the date of such further grant enable that relevant Eligible Person to have shares exceeding 1% of the issued shares of the Company for the time being unless separate approval by the shareholders in general meeting is obtained.

No options have been granted by the Company under the Scheme since its adoption.

28. RESERVES

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 27.

The special reserve of the Group represents the excess of the nominal amount of the shares of the subsidiaries at the date of the group reorganisation over the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being a statutory surplus reserve fund and an enterprise expansion fund (collectively referred to as the "PRC statutory reserve funds"), which are non-distributable.

29. ACQUISITION OF A SUBSIDIARY

In April 2005, the Group acquired the entire issued share capital of Silver Epoch Investments Limited ("Silver Epoch") for a cash consideration of HK$30,000,000. Silver Epoch's principal asset is the entire equity interest in Siping Yatai Medicine Industry Co., Ltd. The acquisition has been accounted for by the purchase method of accounting.

	2006 HK$'000
The carrying amounts and fair values of the assets and liabilities acquired:	
Property, plant and equipment	64,011
Intangible assets	440
Prepaid lease payments	1,510
Deposit made on acquisition of intangible assets	264
Inventories	328
Trade and other receivables	2,657
Bank balances and cash	2,078
Trade and other payables	(10,772)
Amount due to the Group	(24,458)
Long-term bank loans	(63,148)
Goodwill arising on acquisition	57,090
	30,000
Satisfied by:	
Cash consideration paid	30,000
Net cash outflow arising on acquisition:	
Cash consideration	(30,000)
Deposit paid at 31 March 2005	2,400
Bank balances and cash acquired	2,078
Cash consideration paid	(25,522)

The goodwill arising on the acquisition of Silver Epoch is attributable to the anticipated profitability from increased production capacity and anticipated future operating synergies from the combination.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group is committed to make the following future minimum lease payments for office property rented under non-cancellable operating leases which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**706**	706
In the second year	**–**	706
	706	1,412

A lease is negotiated for 2 years and rentals are fixed throughout the lease term.

31. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding capital commitments as follows:

	2007 **HK$'000**	2006 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**175**	2,210
– technical know-how	**–**	97
	175	2,307

32. RETIREMENT BENEFITS SCHEMES

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total expense recognised in the consolidated income statement of HK$1,249,000 (2006: HK$1,280,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

33. POST BALANCE SHEET EVENT

On 18 May 2007, the Group entered into sale and purchase agreements to dispose all of its investment properties for a cash consideration of approximately HK$34,041,000.

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than those disclosed in note 19, details of transactions between the Group and other related parties are disclosed below.

Transactions

During the year, group entities entered into the following related party transactions:

	2007	2006
	HK$'000	HK$'000
Interest income on loans to an associate	**3,216**	1,062

Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**2,396**	2,499
Post employment benefits	**24**	24
	2,420	2,523

35. SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly owned by the Company, at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activity
China Value Assets Limited (note a)	British Virgin Islands	US$1	Investment holding
Merit Development Limited (note a)	British Virgin Islands	US$1	Investment holding
Bestime Systems Limited	British Virgin Islands	US$1	Investment holding
Billion Source Investments Limited	British Virgin Islands	US$2	Investment holding
Bright Central Investments Limited	British Virgin Islands	US$20,000	Investment holding
Man Lee Management Limited	Hong Kong	HK$2	Management services
Silver Epoch Investments Limited	British Virgin Islands	US$1	Investment holding
Value Brilliant Investments Limited	British Virgin Islands	US$30,000	Investment holding

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activity
四平巨能藥業有限公司 (Siping Ju Neng Medicine Industry Co., Ltd.) (Note b)	PRC	RMB55,350,000	Manufacture and sales of pharmaceutical products
浙江巨能樂斯藥業有限公司 (Zhejiang Juneng Rosi Pharmaceutical Co., Ltd.) (Note b)	PRC	RMB33,333,300	Manufacture and sales of pharmaceutical products
四平亞太藥業有限公司 (Siping Yatai Medicine Industry Co., Ltd.) (Note b)	PRC	RMB50,000,000	Manufacture and sales of pharmaceutical products
北京博瑞企業管理有限公司 (Beijing Borui Corporate Management Co., Ltd.) (Note c)	PRC	RMB500,000	Management services

Notes:

(a) Directly held by the Company.

(b) Wholly foreign owned enterprises established in the PRC.

(c) Limited liability enterprise established in the PRC.

The Company holds 100% voting power of all subsidiaries listed above. None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

36. SUMMARISED BALANCE SHEET INFORMATION OF THE COMPANY

Summarised balance sheet information of the Company at the balance sheet date includes:

	2007	2006
	HK$'000	HK$'000
ASSETS		
Interests in subsidiaries	**128,415**	376,151
Accounts receivable	**39**	39
Amounts due from subsidiaries	**172,709**	192,348
Bank balances and cash	**13**	10
	301,176	568,548
LIABILITY		
Accounts payable	**(1,146)**	(1,051)
Net assets	**300,030**	567,497
Share capital (note 26)	**70,572**	70,572
Reserves	**229,458**	496,925
Total equity	**300,030**	567,497

Loss of the Company for current year amounted to HK$267,467,000 (2006: HK$2,270,000).

Financial Summary

	Year ended 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	69,586	91,346	124,191	117,954	**132,415**
(Loss) profit before tax	(50,334)	15,244	23,670	(183,552)	**(154,384)**
Tax credit (charge)	–	830	(3,683)	866	**(4,304)**
(Loss) profit for the year	(50,334)	16,074	19,987	(182,686)	**(158,688)**
Attributable to:					
Equity holders of the Company	(60,700)	12,433	20,389	(182,686)	**(158,688)**
Minority interests	10,366	3,641	(402)	–	**–**
	(50,334)	16,074	19,987	(182,686)	**(158,688)**

	As at 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	205,836	294,058	742,024	634,724	**506,638**
Total liabilities	(129,513)	(57,955)	(118,089)	(189,886)	**(208,099)**
Minority interests	(46,791)	(15,277)	–	–	**–**
Shareholders' funds	29,532	220,826	623,935	444,838	**298,539**