

# Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)



2010 Interim Report

STOCK CODE: 897





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-executive Directors

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

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### NOMINATION COMMITTEE

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

#### COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

### PRINCIPAL BANKERS

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

### AUDITORS

Deloitte Touche Tohmatsu

### LEGAL ADVISERS

DLA Piper Hong Kong  
Freshfields Bruckhaus Deringer  
Gallant Y.T. Ho & Co.  
Morrison & Foerster

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

### HOMEPAGE

<http://www.wyth.net>

### STOCK CODE

897



## INTERIM DIVIDEND

The board of directors (the **"Board"**) of Wai Yuen Tong Medicine Holdings Limited (the **"Company"**), together with its subsidiaries, collectively the **"Group"**) does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six-month period ended 30 September 2010, the Group recorded a turnover and profit attributable to owners of the Company of approximately HK\$266.1 million (2009: approximately HK\$229.2 million) and approximately HK\$41.0 million (2009: loss of approximately HK\$26.0 million), respectively.

#### (1) Chinese Pharmaceutical Products

With a strong foundation in the traditional Chinese medicine and health food products industry, turnover for the period under review increased by approximately 23.8% from approximately HK\$160.3 million for the same period last year to approximately HK\$198.5 million. The incentive scheme for staff, a series of marketing campaigns and the number of Mainland Chinese tourists visiting Hong Kong resulted in better same store sales growth and a generally better performing retail business. The increase in sales coupled with cost control made a contribution of approximately HK\$12.1 million to the Group as compared with approximately HK\$5.8 million for the same period last year.

#### (2) Western Pharmaceutical Products

Turnover decreased by approximately 15.4% from approximately HK\$59.7 million to approximately HK\$50.5 million. In April 2010, the Group disposed of its 64.2% equity interest in Hunan Xiangya Pharmaceutical Company Limited (**"Hunan Xiangya"**) for a cash consideration of approximately HK\$37.4 million and it resulted in the drop in sales of approximately HK\$9.2 million. Besides the traditional cough syrup products, the Group has diversified its products portfolio, such as by adding personal care products, which has had synergetic effects on its business as a whole.

#### (3) Bottled Birds' Nest Drinks Products

Turnover for the period under review increased by approximately 70.7% from approximately HK\$9.2 million to approximately HK\$15.7 million. Besides the existing products, the Group is exploring the possibility of diversifying its product range and expanding the distribution of its products to more overseas communities.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (Continued)

#### (4) Investment Properties

The Group leased out some of its properties for commercial purpose. During the period under review, the Group acquired a property located in Kwun Tong, Kowloon at a cash consideration of HK\$34.5 million as management believes in the long term prospect of commercial properties in Hong Kong and considers that the property acquisition will strengthen the Group's income base.

#### (5) Investment in PNG Resources Holdings Limited ("PNG") (formerly known as LeRoi Holdings Limited)

PNG, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is principally engaged in forestry and logging operations in Papua New Guinea, property development in the People's Republic of China (the "PRC") and retailing of the fresh pork meat and related products in Hong Kong. The Group shared the profit of PNG of approximately HK\$5.5 million for the period under review as compared to the share of loss of approximately HK\$15.5 million for the previous period.

## FINANCIAL REVIEW

### Fund Raising, Capital Structure, Liquidity and Gearing

#### (1) Placing of New Shares

On 12 April 2010, the Company entered into a placing agreement with a placing agent to place, on a best efforts basis, up to 1,200 million shares to independent investors at a price of HK\$0.053 per share. The placing of new shares was completed on 22 April 2010 and 1,200 million shares were placed. Aggregate net proceeds of approximately HK\$61.8 million were raised which were intended to be applied towards the repayment of interest-bearing debts, expansion of the Group's Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises for use by the retail network) and general working capital requirements of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW (Continued)

#### (2) Capital Reorganisation and Rights Issue

On 5 August 2010, the Company proposed a capital reorganisation and rights issue (with bonus issue) whereby (i) every 25 shares of par value of HK\$0.01 each in the issued share capital of the Company would be consolidated into one consolidated share (the “**Adjusted Share(s)**”) of par value of HK\$0.25; (ii) the par value of each of the issued consolidated shares would be reduced from HK\$0.25 to HK\$0.01 (item (i) and (ii), collectively the “**Capital Reorganisation**”); (iii) five rights shares were to be offered for every one Adjusted Share at HK\$0.207 per rights share (the “**Rights Issue**”); and (iv) one bonus share would be issued for every five rights shares taken up (the “**Bonus Issue**”). The capital reorganisation and rights issue were completed on 21 September 2010 and 27 October 2010, respectively.

The net proceeds of the rights issue were approximately HK\$292.0 million and were intended to be used for (a) repayment of the Group’s borrowings; (b) expansion of the Group’s Chinese and Western health food and pharmaceutical business; (c) funding the acquisition of the entire issued share capital of five companies, which were indirect wholly-owned subsidiaries of Wang On Group Limited (“**Wang On**”), a shareholder of the Company whose shares are listed on the Main Board of the Stock Exchange, and which held five properties in Hong Kong; and (d) financing possible investment opportunities in the future and as general working capital. Details of these were set out in the announcement jointly issued by the Company and Wang On, the circular and the prospectus issued by the Company on 9 August 2010, 27 August 2010 and 6 October 2010, respectively. The acquisition of the entire share capital of the five companies was completed on 28 October 2010.

#### (3) Liquidity and Gearing

As at 30 September 2010, the Group’s total borrowings amounted to approximately HK\$41.3 million (31 March 2010: approximately HK\$51.9 million) which included bank borrowings of approximately HK\$41.3 million (31 March 2010: approximately HK\$48.6 million) and advances from minority shareholders of a subsidiary of HK\$ nil (31 March 2010: approximately HK\$3.3 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 3.4% (31 March 2010: approximately 4.7%).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### MAJOR ACQUISITION

On 6 August 2010, Guidepost Investments Limited (“**Guidepost**”), an indirect wholly-owned subsidiary of the Company, and East Run Investments Limited (“**East Run**”), an indirect wholly-owned subsidiary of Wang On, entered into a sale and purchase agreement, as supplemented by a deed executed between Wang On, East Run and Guidepost on 9 August 2010, pursuant to which, Guidepost agreed to acquire and East Run agreed to dispose of the entire issued share capital and the shareholder loans in its five subsidiaries, each of which is holding a property in Hong Kong, at an initial consideration of HK\$114.3 million. The consideration was satisfied in cash out of the proceeds from the aforesaid rights issue and such acquisition was completed on 28 October 2010.

### FOREIGN EXCHANGE

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

### CAPITAL COMMITMENT

As at 30 September 2010, the Group had no capital commitment (31 March 2010: approximately HK\$0.6 million) in respect of acquisition of plant and equipment, which were contracted for but not provided in the consolidated financial statements.

### CONTINGENT LIABILITIES

As at 30 September 2010 and 31 March 2010, the Group had no material contingent liabilities.

### EMPLOYEES

As at 30 September 2010, the Group had 629 (31 March 2010: 682) employees, of whom approximately 64% (31 March 2010: approximately 56%) were located in Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing market rates. The Group also has a share option scheme for the employees’ benefit.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PROSPECTS

As the business environment in Hong Kong continues to improve, the directors are optimistic about the Group's prospects.

To enhance the competitiveness of its brands and its products, the Group will continue to expand its product range and strengthen quality control. The Group will also evaluate mergers and acquisitions as a means to speed up growth as well as diversification of its investment portfolio to strengthen its income base.

## DISCLOSURE OF INTERESTS

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

As at 30 September 2010, the interests and short positions of the directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

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

Name of director	Date of grant	Exercise price per share HK\$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying shares	Number of total underlying shares	Approximate percentage of the Company's total issued share capital
							(Note 2) %
Ms. Tang Mui Fun	3.1.2007	10.375	26,000	2.1.2008 to 1.1.2012	26,000	78,000	0.03
	2.1.2008	5.650	26,000		26,000		
	8.1.2009	3.625	26,000	8.1.2010 to 7.1.2019	26,000		

Notes:

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

On 1st anniversary of the date of grant:	30% vest
On 2nd anniversary of the date of grant:	Further 30% vest
On 3rd anniversary of the date of grant:	Remaining 40% vest
- (2) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2010 of 290,877,567 shares.



## **DISCLOSURE OF INTERESTS** (CONTINUED)

### **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS** (Continued)

Save as disclosed above, as at 30 September 2010, none of the directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire such rights in any other body corporate.



## DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 September 2010, to the best knowledge of the directors, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

*Long positions in the shares of the Company:*

<b>Name of Shareholders</b>	<b>Notes</b>	<b>Capacity</b>	<b>Number of Adjusted Shares</b> <i>(Note 1)</i>	<b>Approximate percentage of the Company's total issued share capital</b> %
Wang On	(2)	Interest of controlled corporation	603,562,604	29.55
Wang On Enterprises (BVI) Limited (" <b>WOE</b> ")	(2)	Interest of controlled corporation	603,562,604	29.55
Rich Time Strategy Limited (" <b>Rich Time</b> ")	(2)	Beneficial owner	603,562,604	29.55
Active Dynamic Limited		Interest of controlled corporation	1,168,151,970	57.19
Chu Yuet Wah		Interest of controlled corporation	1,168,151,970	57.19
Eagle Mission Limited		Interest of controlled corporation	1,168,151,970	57.19
Galaxy Sky Investments Limited		Interest of controlled corporation	1,168,151,970	57.19
Kingston Securities Limited (" <b>Kingston</b> ")		Beneficial owner	1,168,151,970	57.19



## DISCLOSURE OF INTERESTS (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

*Notes:*

1. The interests are based on (i) the Capital Reorganisation has become effective; (ii) the Rights Issue and the Bonus Issue have completed on the basis that the share options of the Company have been exercised in full at 5:00 p.m. on 5 October 2010, being the record date and time for the Rights Issue; and (iii) 2,042,406,569 Adjusted Shares will be in issue upon the Share Consolidation, the Rights Issue and the Bonus Issue becoming effective.
2. Rich Time is wholly-owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in such Adjusted Shares.

Save as disclosed above, as at 30 September 2010, there were no other persons (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



## SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the “Scheme”) for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group. The Scheme will remain in force for a period of 10 years from the date of adoption.

The movements in the share options under the Scheme during the period under review were as follows:

Name or category of participant	Date of grant	Number of share options				Outstanding as at 30 September 2010	Exercise price per share <sup>f</sup> HK\$	Exercisable period <sup>*</sup>	Closing price per share immediately before the grant date HK\$
		Outstanding as at 1 April 2010	Granted during the period	Exercised, lapsed and cancelled during the period	Adjustments due to Capital Reorganisation during the period <sup>**</sup>				
<b>Executive director</b>									
Ms. Tang Mui Fun	3.1.2007	650,000	—	—	(624,000)	26,000	10.375	2.1.2008 to 1.1.2012	—
	2.1.2008	650,000	—	—	(624,000)	26,000	5.650	2.1.2009 to 1.1.2013	—
	8.1.2009	650,000	—	—	(624,000)	26,000	3.625	8.1.2010 to 7.1.2019	—
	12.5.2010	—	1,000,000	(1,000,000)	—	—			0.052
		1,950,000	1,000,000	(1,000,000)	(1,872,000)	78,000			
<b>Other employees</b>									
In aggregate	3.1.2007	2,750,000	—	(120,000)	(2,524,800)	105,200	10.375	2.1.2008 to 1.1.2012	—
	2.1.2008	4,290,000	—	(350,000)	(3,782,400)	157,600	5.650	2.1.2009 to 1.1.2013	—
	8.1.2009	5,750,000	—	(350,000)	(5,184,000)	216,000	3.625	8.1.2010 to 7.1.2019	—
	12.5.2010	—	8,450,000	—	(8,112,000)	338,000	1.300	12.5.2011 to 11.5.2020	0.052
		12,790,000	8,450,000	(820,000)	(19,603,200)	816,800			
		<b>14,740,000</b>	<b>9,450,000</b>	<b>(1,820,000)</b>	<b>(21,475,200)</b>	<b>894,800</b>			



## SHARE OPTION SCHEME (CONTINUED)

*Notes:*

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

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

\*\* Adjustments due to the Capital Reorganisation completed on 21 September 2010, details of which are set out in the Company's circular dated 27 August 2010 and the Company's announcement dated 21 September 2010.

# As a result of the Capital Reorganisation, the exercise prices of the share options were adjusted, details of which are set out in the Company's announcement dated 21 September 2010.

At the end of the reporting period, the Company had 894,800 share options outstanding under the Scheme. Upon expiry of the vesting periods, the exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 894,800 additional ordinary shares of the Company and additional share capital of HK\$8,948 and share premium of HK\$3,706,242. However, the exercise prices and number of share options are subject to further adjustment after the reporting period and upon completion of the Rights Issue.

During the six months ended 30 September 2010, no outstanding share options was exercised.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2010.

The Group will continue to seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

### **UPDATE ON DIRECTORS' INFORMATION**

During the period under review, the change(s) in information on Director(s) since the date of the 2010 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Chan Chun Hong, Thomas, the managing director of the Company, also assumed the role of the chief executive officer of China Agri-Products Exchange Limited with effect from 2 August 2010.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2010.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2010 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Yuen Chi Choi, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou, and is chaired by Mr. Yuen Chi Choi.

By Order of the Board

**Tang Ching Ho**

*Chairman*

Hong Kong, 17 November 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>266,118</b>	229,199
Cost of sales		<b>(148,582)</b>	(121,118)
<b>Gross profit</b>		<b>117,536</b>	108,081
Other income	4	<b>12,098</b>	8,156
Selling and distribution expenses		<b>(82,099)</b>	(74,321)
Administrative expenses		<b>(45,138)</b>	(38,958)
Finance costs	5	<b>(418)</b>	(1,512)
Change in fair value of options embedded in an unlisted note		—	(12,242)
Change in fair value of investments held-for-trading		<b>(6,010)</b>	1,599
Change in fair value of investment properties		<b>23,651</b>	—
Impairment loss recognised in respect of goodwill		—	(237)
Share of results of associates		<b>5,560</b>	(15,586)
Gain on disposal of a subsidiary		<b>29,155</b>	—
<b>Profit (loss) before taxation</b>	6	<b>54,335</b>	(25,020)
Income tax expense	7	<b>(7,585)</b>	(1,474)
<b>Profit (loss) for the period</b>		<b>46,750</b>	(26,494)
<b>Other comprehensive income (expense)</b>			
Exchange differences on translation of foreign operations arising during the period		<b>352</b>	—
Gain on revaluation on transfer of property from property, plant and equipment to investment properties		<b>23,392</b>	—
Reclassification adjustment on disposal of a subsidiary		<b>(890)</b>	—
Share of other comprehensive income of an associate		<b>(4,964)</b>	378
<b>Other comprehensive income for the period, net of tax</b>		<b>17,890</b>	378



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2010

	Note	For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Total comprehensive income (expense) for the period, net of tax</b>		<b>64,640</b>	(26,116)
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>41,044</b>	(26,049)
Minority interests		<b>5,706</b>	(445)
		<b>46,750</b>	(26,494)
<b>Total comprehensive income (expense) attributable to:</b>			
Owners of the Company		<b>59,321</b>	(25,671)
Minority interests		<b>5,319</b>	(445)
		<b>64,640</b>	(26,116)
<b>Earnings (Loss) per share</b>	8		
Basic and diluted (Cents)		<b>7.07</b>	(6.79)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	9	180,000	—
Property, plant and equipment	10	25,588	119,671
Goodwill		15,335	15,335
Interests in associates	12	609,442	608,966
Other intangible assets		750	839
Investment in an unlisted note		15,985	—
Loans to an associate	13	208,937	204,307
Deferred tax assets		3,291	3,291
		<b>1,059,328</b>	952,409
<b>CURRENT ASSETS</b>			
Inventories		93,692	71,105
Trade and other receivables	14	102,993	68,963
Loan to an associate	13	10,960	—
Amounts due from associates	15	2,767	1,668
Investments held-for-trading		17,329	25,449
Tax recoverable		232	232
Bank balances and cash		78,318	78,259
		<b>306,291</b>	245,676
Assets classified as held for sale		—	38,816
		<b>306,291</b>	284,492
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	81,223	62,661
Bank borrowings		9,600	11,953
Deferred franchise income		33	18
Deposit received for disposal of a subsidiary		—	5,000
Tax payable		6,339	4,439
		<b>97,195</b>	84,071
Liabilities associated with assets classified as held for sale		—	11,013



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2010

	Note	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
		97,195	95,084
<b>NET CURRENT ASSETS</b>		<b>209,096</b>	189,408
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,268,424</b>	1,141,817
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		31,700	36,500
Deferred tax liabilities		8,779	248
		40,479	36,748
<b>NET ASSETS</b>		<b>1,227,945</b>	1,105,069
<b>CAPITAL AND RESERVES</b>			
Share capital	18	72,719	60,719
Reserves		1,147,590	1,038,269
<b>Equity attributable to owners of the Company</b>		<b>1,220,309</b>	1,098,988
Minority interests		7,636	6,081
<b>TOTAL EQUITY</b>		<b>1,227,945</b>	1,105,069



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company											
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 (Note a)	General reserve (Unaudited) HK\$'000 (Note b)	Share option reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2009 (audited)	20,104	723,959	(27,150)	218,508	1,055	6,855	—	—	(350,595)	592,736	6,813	599,549
Profit for the year	—	—	—	—	—	—	—	—	45,797	45,797	(766)	45,031
Exchange differences arising on translation of foreign operations	—	—	—	—	—	829	—	—	—	829	40	869
Share of other comprehensive income of an associate	—	—	—	—	—	2,006	9,694	—	—	11,700	—	11,700
Total comprehensive income (expense) for the year	—	—	—	—	—	2,835	9,694	—	45,797	58,326	(726)	57,600
Issue of shares	4,020	31,356	—	—	—	—	—	—	—	35,376	—	35,376
Share issue expenses	—	(1,586)	—	—	—	—	—	—	—	(1,586)	—	(1,586)
Recognition of share-based payment	—	—	—	—	603	—	—	—	—	603	—	603
Lapse of share options	—	—	—	—	(243)	—	—	—	243	—	—	—
Issue of shares for acquisition of additional interest in an associate	36,595	376,938	—	—	—	—	—	—	—	413,533	—	413,533
Dividends paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	(6)	(6)
At 31 March 2010 (audited)	60,719	1,130,667	(27,150)	218,508	1,415	9,690	9,694	—	(304,555)	1,098,988	6,081	1,105,069
Profit for the period	—	—	—	—	—	—	—	—	41,044	41,044	5,706	46,750
Exchange differences arising on translation of foreign operations	—	—	—	—	—	335	—	—	—	335	17	352
Reclassification adjustment on disposal of a subsidiary	—	—	—	—	—	(486)	—	—	—	(486)	(404)	(890)
Gain on revaluation on transfer of property from property, plant and equipment to investment properties	—	—	—	—	—	—	—	23,392	—	23,392	—	23,392
Share of other comprehensive income (expense) of an associate	—	—	—	—	—	6,132	(11,096)	—	—	(4,964)	—	(4,964)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2010

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	General reserve	Share option reserve	Translation reserve	Investment revaluation reserve	Asset revaluation reserve	Accumulated losses	Sub-total	Minority interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)	(Note b)								
Total comprehensive income (expense) for the period, net of tax	—	—	—	—	—	5,981	(11,096)	23,392	41,044	59,321	5,319	64,640
Issue of shares	12,000	51,600	—	—	—	—	—	—	—	63,600	—	63,600
Share issue expenses	—	(1,789)	—	—	—	—	—	—	—	(1,789)	—	(1,789)
Recognition of share-based payment	—	—	—	—	196	—	—	—	—	196	—	196
Lapse of share options	—	—	—	—	(7)	—	—	—	—	(7)	—	(7)
Release upon disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(3,764)	(3,764)
At 30 September 2010	72,719	1,180,478	(27,150)	218,508	1,604	15,671	(1,402)	23,392	(263,511)	1,220,309	7,636	1,227,945

### Notes:

- (a) The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- (b) The general reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of bonus issue of shares by the Company.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash (used in) generated from operating activities	(6,784)	15,749
Net cash used in investing activities	(50,336)	(18,637)
Net cash generated from financing activities	54,240	16,222
(Decrease) increase in cash and cash equivalents	(2,880)	13,334
Cash and cash equivalents at the beginning of the period	81,144	57,096
Effect of foreign exchange rate changes	54	—
Cash and cash equivalents at the end of the period, represented by bank balances and cash	78,318	70,430

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to Listing Rules and with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

### 2 PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, and in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) (which included all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by HKICPA.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of the new and revised HKFRSs had no material effect on the unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the unaudited interim condensed consolidated financial statements, except as described below:

#### Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>2</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements.

### 3 REVENUE AND SEGMENT INFORMATION

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

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	<b>2009 (Unaudited) HK\$'000</b>
Sales of goods	<b>264,157</b>	228,647
Rental income	<b>1,471</b>	—
Management and promotion fees	<b>490</b>	552
	<b>266,118</b>	229,199



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. For management purposes, the group operates in four business units and has four operating segments. Each of the Group's reportable operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other reportable operating segments. The Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) production and sale of Chinese pharmaceutical and health food products – manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong;
- (ii) production and sale of Western pharmaceutical and health food products – processing and sale of Western pharmaceutical and health food products under the brand name of “Madame Pearl's” and “Pearl's”;
- (iii) production and sale of bottled birds' nest drinks and herbal essence products – processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products; and
- (iv) property investment – investment in commercial premises for rental income.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investment		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>												
External sales	198,541	160,265	50,456	59,689	15,650	9,245	1,471	—	—	—	266,118	229,199
Inter segment sales*	543	1,320	56	—	21,714	8,022	—	—	(22,313)	(9,342)	—	—
	<b>199,084</b>	<b>161,585</b>	<b>50,512</b>	<b>59,689</b>	<b>37,364</b>	<b>17,267</b>	<b>1,471</b>	<b>—</b>	<b>(22,313)</b>	<b>(9,342)</b>	<b>266,118</b>	<b>229,199</b>
<b>RESULTS</b>												
Results, excluding impairment loss recognised in respect of goodwill	12,119	6,011	(2,501)	3,242	(652)	(2,053)	1,128	—	—	—	10,094	7,200
Impairment loss recognised in respect of goodwill	—	(237)	—	—	—	—	—	—	—	—	—	(237)
Segment results	<b>12,119</b>	<b>5,774</b>	<b>(2,501)</b>	<b>3,242</b>	<b>(652)</b>	<b>(2,053)</b>	<b>1,128</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,094</b>	<b>6,963</b>
Other income											12,098	8,156
Unallocated expenses											(19,795)	(12,398)
Finance costs											(418)	(1,512)
Gain on disposal of a subsidiary											29,155	—
Change in fair value of investment properties											23,651	—
Change in fair value of investments held-for-trading											(6,010)	1,599
Change in fair value of options embedded in an unlisted note											—	(12,242)
Share of results of associates											5,560	(15,586)
Profit (loss) before taxation											54,335	(25,020)
Income tax expense											(7,585)	(1,474)
Profit (loss) for the period											46,750	(26,494)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**4 OTHER INCOME**

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Interest income on loans to an associate	<b>8,190</b>	160
Rental income	<b>1,443</b>	1,465
Interest income on investment in an unlisted note	<b>713</b>	—
Processing fee income	<b>705</b>	533
Sundry income	<b>557</b>	502
Dividends from investments held-for-trading	<b>179</b>	224
Recognition of deferred income on disposal of a subsidiary	<b>150</b>	150
Exchange gain, net	<b>142</b>	—
Interest income on bank deposits	<b>10</b>	15
Gain on disposal of property, plant and equipment	<b>9</b>	—
Interest income on investment in an unlisted note due from an associate	<b>—</b>	5,107
	<b>12,098</b>	8,156

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**5 FINANCE COSTS**

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>418</b>	899
Loans from a shareholder	—	490
Advances from minority shareholders of a subsidiary	—	114
Others	—	9
	<b>418</b>	1,512

**6 PROFIT (LOSS) BEFORE TAXATION**

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Recognition (reversal) of allowance for trade and other receivables	<b>10,044</b>	(112)
Reversal of allowance for obsolete inventories	<b>(92)</b>	(189)
Amortisation of other intangible assets, included in selling and distribution expenses	<b>89</b>	467
Depreciation of property, plant and equipment	<b>4,959</b>	9,322
Management fee paid to a shareholder	<b>48</b>	48

**7 INCOME TAX EXPENSE**

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	<b>1,914</b>	1,360
Other jurisdictions	<b>1,769</b>	195
	<b>3,683</b>	1,555
Overprovision in prior years		
Other jurisdictions	—	(81)
Deferred taxation		
Current period	<b>3,902</b>	—
	<b>7,585</b>	1,474

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the period.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**8 EARNINGS (LOSS) PER SHARE**

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

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<b>41,044</b>	(26,049)
	<b>Number of shares 2010</b>	Number of shares 2009
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>580,308,559</b>	383,769,012

The computations of the diluted earnings (loss) per share for the six months ended 30 September 2010 and 2009 do not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company since their assumed exercise would result in an increase in earnings per share (2009: decrease in loss per share).

The weighted average number of ordinary shares for the purposes of calculation of the basic and diluted earnings (loss) per share for the six months ended 30 September 2010 and 2009 have been retrospectively adjusted for the capital reorganisation and bonus issue of shares taken place on 21 September 2010 and 27 October 2010, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****9 INVESTMENT PROPERTIES**

	<b>HK\$'000</b>
Addition during the period	36,349
Transfer from property, plant and equipment	91,986
Gain on revaluation on transfer of property from property, plant and equipment	28,014
Change in fair value	23,651
<hr/>	
At 30 September 2010	180,000

The investment properties at the end of the reporting period were held under medium term leases in Hong Kong.

The fair values of the Group's investment properties at the end of the reporting period were determined by reference to a valuation conducted by a firm of independent professional qualified valuers.

**10 PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2010, the Group acquired property, plant and equipment for an amount of approximately HK\$2,749,000 (six months ended 30 September 2009: approximately HK\$2,629,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**11 PLEDGED OF ASSETS**

The Group had pledged the following assets to a bank to secure general banking facilities granted to the Group.

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Investment properties	<b>142,000</b>	—
Buildings (Note)	—	99,040
	<b>142,000</b>	99,040

Note: The amount for the year ended 31 March 2010 includes those classified as part of a disposal group held for sale.

**12 INTERESTS IN ASSOCIATES**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Cost of investment in associates		
— Listed in Hong Kong	<b>629,215</b>	629,215
— Unlisted	<b>3,000</b>	3,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>(22,773)</b>	(23,249)
	<b>609,442</b>	608,966
Market value of listed investments	<b>1,187,183</b>	942,209

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**13 LOANS TO AN ASSOCIATE**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Amount due within one year (Note a)	<b>10,960</b>	—
Amounts due after one year (Note b)	<b>208,937</b>	204,307
	<b>219,897</b>	204,307

**Notes:**

- (a) On 10 July 2009, the Group granted a loan with principal amount of HK\$10,000,000 to PNG. The loan is unsecured, interest bearing at a fixed rate of 8% per annum and repayable on 9 July 2011 together with interest accrued. The effective interest of the loan is 7.7% per annum.
- (b) On 13 November 2009, the Group granted a loan of HK\$190,000,000 to PNG by way of a discharge of the obligations of PNG in repayment of an unlisted note with outstanding principal amount of HK\$190,000,000. The loan is unsecured, interest bearing at a fixed rate of 8% per annum payable half-yearly in arrears on 30 June and 31 December in each year and repayable on 12 November 2013. The effective interest rate of the loan is 7.95% per annum.

On 11 August 2010, the Group granted a loan with principal amount of HK\$15,000,000 to PNG. The loan is unsecured, interest bearing at a fixed rate of 8% per annum and repayable on 10 August 2013 together with interest accrued. The effective interest of the loan is 7.43% per annum.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**14 TRADE AND OTHER RECEIVABLES**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade receivables	<b>71,888</b>	61,777
Less: Accumulated impairment	<b>(16,552)</b>	(16,690)
	<b>55,336</b>	45,087
Less: Amounts classified as assets held for sale	—	(3,315)
	<b>55,336</b>	41,772
Deposits, prepayments and other receivables	<b>60,657</b>	31,343
Less: Accumulated impairment	<b>(13,000)</b>	(3,000)
	<b>47,657</b>	28,343
Less: Amounts classified as assets held for sale	—	(1,152)
	<b>47,657</b>	27,191
Total trade and other receivables	<b>102,993</b>	68,963

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**14 TRADE AND OTHER RECEIVABLES (Continued)**

The Group allows an average credit period of 60 days to 120 days to its trade customers. The following is an aged analysis of trade receivables (net of impairment loss) presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sale.

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
0–30 days	28,351	19,472
31–60 days	15,434	12,148
61–120 days	9,915	9,993
Over 120 days	1,636	3,474
	<b>55,336</b>	45,087

**15 AMOUNTS DUE FROM ASSOCIATES**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade receivables due from associates (Note )	<b>2,767</b>	1,668

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
0–30 days	1,545	1,322
31–60 days	1,000	200
61–120 days	222	146
	<b>2,767</b>	1,668

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**16 TRADE AND OTHER PAYABLES**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade payables	43,013	27,963
Other payables	38,210	42,226
	<b>81,223</b>	70,189
Less: Amounts classified as liabilities associated with assets classified as held for sale	—	(7,528)
	<b>81,223</b>	62,661

The aged analysis of trade payables presented based on the invoice date is as follows. The analysis includes those classified as part of a disposal group held for sale.

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
0–30 days	24,835	16,589
31–60 days	16,353	8,681
61–120 days	551	1,754
Over 120 days	1,274	939
	<b>43,013</b>	27,963



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17 BANK BORROWINGS

During the period, the Group did not obtain any new bank loans (31 March 2010: approximately HK\$3,290,000). These loans carry interest at 1.58% to 3.92% (31 March 2010: 1.58% to 7.25%) per annum.

### 18 SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Share capital HK\$'000
Authorised:		
At 31 March 2010 and 30 September 2010	60,000,000,000	600,000
Issued and fully paid:		
At 31 March 2010 and 1 April 2010	6,071,939,188	60,719
Issue of shares (Note)	1,200,000,000	12,000
At 30 September 2010	7,271,939,188	72,719

Note: On 12 April 2010, the Company and Kingston entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through Kingston, on a best efforts basis, up to 1,200,000,000 shares of the Company to not fewer than six independent placees at a price of HK\$0.053 per share. Details of the placing agreement are set out in the Company's announcement dated 12 April 2010. The transaction was completed on 22 April 2010.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**19 DISPOSAL OF A SUBSIDIARY**

On 19 April 2010, the Group disposed of its entire 64.2% equity interests in Hunan Xiangya to an independent third party at a consideration of HK\$37,350,000.

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>
Net assets disposed of:	
Property, plant and equipment	24,205
Other intangible assets	2,157
Inventories	3,244
Trade and other receivables	6,683
Bank balances & cash	3,694
Tax payable	(52)
Bank borrowings	(171)
Amounts due to minority shareholders	(3,314)
Trade and other payables	(8,964)
Amounts due to the Group	(15,649)
	11,833
Release of translation reserve	(486)
Waiver of amounts due from Hunan Xiangya	1,016
Minority interests	(4,168)
Gain on disposal	29,155
<b>Total consideration</b>	<b>37,350</b>
Satisfied by:	
Cash	15,000
Deposit received	5,000
Deferred consideration	17,350
	37,350
Net inflow arising on disposal:	
Cash consideration	15,000
Bank balances and cash disposed of	(3,694)
	11,306

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**20 CAPITAL COMMITMENTS**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	603

**21 OPERATING LEASES**
**The Group as lessee:**

The Group made minimum lease payments of approximately HK\$31,344,000 (2009: approximately HK\$29,422,000) under operating leases during the period in respect of its office properties and retail shops.

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Within one year	<b>50,917</b>	58,937
In the second to fifth years inclusive	<b>83,567</b>	74,653
Over five years	<b>19,740</b>	26,320
	<b>154,224</b>	159,910

Leases are negotiated for a term ranging from one to ten years. Certain leases have contingent rental payable which are based on turnover of the relevant retail shops.

The contingent rent paid for the period is approximately HK\$3,420,000 (2009: approximately HK\$3,059,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**21 OPERATING LEASES (Continued)**
**The Group as lessor:**

Property rental income earned during the period was approximately HK\$2,914,000 (2009: approximately HK\$1,465,000).

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Within one year	<b>7,800</b>	1,680
In the second to fifth years inclusive	<b>12,225</b>	2,100
	<b>20,025</b>	3,780



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22 EVENTS AFTER THE REPORTING PERIOD

- (a) On 5 August 2010, the Company proposed a Capital Reorganisation and Rights Issue (with bonus issue) whereby (i) every 25 shares of par value of HK\$0.01 each in the issued share capital of the Company would be consolidated into one consolidated share of par value of HK\$0.25; (ii) the par value of each of the issued consolidated shares would be reduced from HK\$0.25 to HK\$0.01; (iii) five rights shares were to be offered for every one Adjusted Share at HK\$0.207 per rights share; and (iv) one bonus share would be issued for every five rights shares taken up. The Capital Reorganisation and Rights Issue were completed on 21 September 2010 and 27 October 2010, respectively.

The net proceeds of the Rights Issue was approximately HK\$292.0 million and were intended to be used for (a) repayment of the Group's borrowings; (b) expansion of the Group's Chinese and Western health food and pharmaceutical business; (c) funding the Acquisitions (as hereinafter defined); and (d) financing possible investment opportunities in the future and as general working capital. Details of these were set out in the announcement jointly issued by the Company and Wang On, the circular and the prospectus issued by the Company on 9 August 2010, 27 August 2010 and 6 October 2010, respectively.

- (b) On 6 August 2010, Guidepost and East Run entered into a sale and purchase agreement, as supplemented by a deed executed between Wang On, East Run and Guidepost on 9 August 2010, pursuant to which, Guidepost agreed to acquire and East Run agreed to dispose of the entire issued share capital and the shareholder loans in its five subsidiaries, each of which is holding a property in Hong Kong, at an initial consideration of HK\$114.3 million (the "**Acquisitions**"). The consideration was satisfied in cash out of the proceeds from the Rights Issue and the Acquisitions were completed on 28 October 2010.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**23 RELATED PARTY DISCLOSURES**

During the period, the Group had significant transactions and balances with related parties. Besides, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The significant transactions with these companies during the period, and balances with them at the end of the reporting period, are as follows:

Name of related party Transactions		For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
(i) Wang On and its subsidiaries <sup>#</sup>	Rental received by the Group	917	900
	Rental paid by the Group	2,400	1,140
	Management fee paid by the Group	48	48
	Loan interest paid by the Group	—	490
	Sales of Chinese pharmaceutical products by the Group	1,934	—
(ii) China Agri-Products Exchange Limited*	Rental received by the Group	150	75
	Sales of Chinese pharmaceutical products by the Group	1,959	601
(iii) Associates	Loan facility granted by the Group	—	11,000
	Sales of Chinese pharmaceutical products by the Group	7,576	7,756
	Interest income on an unlisted note received by the Group	—	5,107
	Rental received by the Group	238	388
	Interest income on loans received by the Group	8,190	160
	Management and promotion fees received by the Group	600	552

<sup>#</sup> Mr Tang Ching Ho and Mr. Chan Chun Hong, Thomas, directors of the Company, are also directors of Wang On.

\* Mr Chan Chun Hong, Thomas, a director of the Company, is also director of China Agri-Products Exchange Limited, company listed on the Main Board of the Stock Exchange.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**23 RELATED PARTY DISCLOSURES (Continued)**
**Compensation of key management personnel**

The remuneration of key management, which comprises directors only, during the period are as follows:

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Short-term benefits	<b>2,068</b>	1,615
Post-employment benefits	<b>30</b>	30
Share-based payment	<b>21</b>	35
	<b>2,119</b>	1,680

The above remunerations were determined by the Remuneration Committee having regard to the performance of individual and market trends.

Details of the balances with related parties as at the end of the reporting period are set out in the condensed consolidated statement of financial position and notes 13 and 15 of the notes to the condensed consolidated financial statements.

**24 APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved by the Board on 17 November 2010.