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

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the "**Board**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2014, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	*5*	**865,258**	785,581
Cost of sales		**(475,768)**	(424,572)
Gross profit		**389,490**	361,009
Other income	*5*	**61,404**	33,409
Selling and distribution expenses		**(259,493)**	(241,236)
Administrative expenses		**(108,022)**	(98,797)
Finance costs	*7*	**(7,748)**	(2,503)
Change in fair value of investments held-for-trading, net		**46,397**	1,218
Fair value gains on investment properties, net		**25,663**	72,000
Gain on disposal of subsidiaries		**–**	661
Gain on partial disposal of equity interests in an associate		**–**	12,787
Gain on deemed partial disposal of equity interests in an associate		**1,436**	–
Share of results of associates		**22,747**	10,139
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**171,874**	148,687
Income tax expense	*8*	**(3,676)**	(291)

* *For identification purpose only*

	Notes	2014 *HK$'000*	2013 *HK$'000*
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**168,198**	148,396
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*9*	**(5,096)**	(77)
PROFIT FOR THE YEAR		**163,102**	148,319
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**562**	177
Release of translation reserve upon partial disposal of equity interests in an associate		**–**	(11,596)
Release of translation reserve upon deemed partial disposal of equity interests in an associate		**(6,017)**	–
Share of other comprehensive income of an associate		**7,123**	4,443
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,668**	(6,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**164,770**	141,343
Profit attributable to:			
Owners of the parent		**163,374**	148,433
Non-controlling interests		**(272)**	(114)
		163,102	148,319
Total comprehensive income attributable to:			
Owners of the parent		**165,052**	141,449
Non-controlling interests		**(282)**	(106)
		164,770	141,343
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic and diluted			
— For profit for the year		**HK5.57 cents**	HK6.88 cents
— For profit from continuing operations		**HK5.74 cents**	HK6.89 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**247,333**	210,933
Investment properties		**467,000**	356,000
Goodwill		**15,335**	15,335
Investments in associates		**301,644**	279,195
Other intangible assets		**435**	547
Loans and interests receivable		**450,000**	186,379
Deferred tax assets		**5,249**	4,384
Deposit for acquisition of an investment property		**–**	47,527
		1,486,996	1,100,300
CURRENT ASSETS			
Inventories		**147,254**	152,419
Trade and other receivables	*12*	**199,126**	154,787
Amounts due from associates		**6,146**	3,931
Investments held-for-trading		**103,528**	57,132
Loans and interests receivable		**105,446**	218,249
Tax recoverable		**7,941**	9,324
Bank balances and cash		**292,511**	356,145
		861,952	951,987
CURRENT LIABILITIES			
Trade and other payables	*13*	**111,321**	101,544
Bank borrowings		**201,803**	222,674
Deferred franchise income		**18**	18
Tax payable		**2,864**	1,369
		316,006	325,605
NET CURRENT ASSETS		**545,946**	626,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,032,942**	1,726,682

	2014	2013
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,032,942**	1,726,682
NON-CURRENT LIABILITIES		
Bank borrowings	**189,412**	40,105
Deferred tax liabilities	**2,629**	1,628
	192,041	41,733
NET ASSETS	**1,840,901**	1,684,949
EQUITY		
Issued capital	**29,311**	29,311
Reserves	**1,804,236**	1,647,973
Equity attributable to owners of the parent	**1,833,547**	1,677,284
Non-controlling interests	**7,354**	7,665
TOTAL EQUITY	**1,840,901**	1,684,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to the transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *— Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

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

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("**OCI**"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 April 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(g) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

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

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

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

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

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

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

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

4. OPERATING SEGMENT INFORMATION

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

(a) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the People's Republic of China ("**PRC**") and Hong Kong;

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

(c) production and sale of bottled birds' nest drinks and herbal essence products — processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products ("**Birds' Nest Sub-group**") (discontinued during the year ended 31 March 2014 *(note 9)*; and

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

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

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

Segment revenue and results

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

	Continuing operations								Discontinued operation					
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**701,620**	640,244	**152,042**	135,975	**11,596**	9,362	**865,258**	785,581	**16,847**	22,936	**–**	–	**882,105**	808,517
Intersegment sales	**–**	–	**–**	–	**6,391**	5,082	**6,391**	5,082	**23,503**	33,605	**(29,894)**	(38,687)	**–**	–
Total	**701,620**	640,244	**152,042**	135,975	**17,987**	14,444	**871,649**	790,663	**40,350**	56,541	**(29,894)**	(38,687)	**882,105**	808,517
Segment results	**53,502**	57,599	**(9,052)**	(12,830)	**6,602**	2,671	**51,052**	47,440	**(6,641)**	(1,359)	**–**	–	**44,411**	46,081
Other income							**61,404**	33,409	**1,495**	1,530			**62,899**	34,939
Unallocated expenses							**(29,077)**	(26,464)	**–**	–			**(29,077)**	(26,464)
Finance costs							**(7,748)**	(2,503)	**–**	–			**(7,748)**	(2,503)
Change in fair value of investments held-for-trading, net							**46,397**	1,218	**–**	–			**46,397**	1,218
Fair value gains on investment properties, net							**25,663**	72,000	**–**	–			**25,663**	72,000
Gain on disposal of subsidiaries							**–**	661	**–**	–			**–**	661
Gain on partial disposal of equity interests in an associate							**–**	12,787	**–**	–			**–**	12,787
Gain on deemed partial disposal of equity interests in an associate							**1,436**	–	**–**	–			**1,436**	–
Share of results of associates							**22,747**	10,139	**–**	–			**22,747**	10,139
Profit/(loss) before tax							**171,874**	148,687	**(5,146)**	171			**166,728**	148,858
Income tax credit/(expense)							**(3,676)**	(291)	**50**	(248)			**(3,626)**	(539)
Profit/(loss) for the year							**168,198**	148,396	**(5,096)**	(77)			**163,102**	148,319

Segment assets and liabilities

	Continuing operations								Discontinued operation			
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS												
Assets excluding goodwill	**257,976**	239,084	**103,826**	76,040	**622,939**	562,875	**984,741**	877,999	**2,739**	13,164	**987,480**	891,163
Goodwill	**7,700**	7,700	**7,635**	7,635	**–**	–	**15,335**	15,335	**–**	–	**15,335**	15,335
Segment assets	**265,676**	246,784	**111,461**	83,675	**622,939**	562,875	**1,000,076**	893,334	**2,739**	13,164	**1,002,815**	906,498
Investments in associates							**301,644**	279,195	**–**	–	**301,644**	279,195
Loans and interests receivable							**555,446**	404,628	**–**	–	**555,446**	404,628
Investments held-for-trading							**103,528**	57,132	**–**	–	**103,528**	57,132
Tax recoverable							**7,941**	9,324	**–**	–	**7,941**	9,324
Deferred tax assets							**5,249**	4,384	**–**	–	**5,249**	4,384
Bank balances and cash							**283,103**	345,340	**9,408**	10,805	**292,511**	356,145
Unallocated assets							**79,814**	34,981	**–**	–	**79,814**	34,981
Consolidated total assets							**2,336,801**	2,028,318	**12,147**	23,969	**2,348,948**	2,052,287
LIABILITIES												
Segment liabilities	**83,437**	80,498	**13,357**	9,172	**3,621**	3,835	**100,415**	93,505	**654**	3,749	**101,069**	97,254
Bank borrowings							**391,215**	262,779	**–**	–	**391,215**	262,779
Tax payable							**2,714**	1,178	**150**	191	**2,864**	1,369
Deferred tax liabilities							**2,367**	1,363	**262**	265	**2,629**	1,628
Unallocated liabilities							**10,270**	4,308	**–**	–	**10,270**	4,308
Consolidated total liabilities							**506,981**	363,133	**1,066**	4,205	**508,047**	367,338

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

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

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

Other segment information

	Continuing operations								Discontinued operation					
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:														
Additions to non-current assets *(Note (i))*	**7,833**	10,786	**31**	88	**85,337**	–	**93,201**	10,874	**1,102**	82	**46,638**	23,735	**140,941**	34,691
Depreciation	**11,119**	9,584	**45**	29	**4,652**	4,064	**15,816**	13,677	**1,791**	1,157	**1,295**	1,486	**18,902**	16,320
Amortisation of other intangible assets	**213**	204	**–**	–	**–**	–	**213**	204	**–**	–	**–**	–	**213**	204
Recognition/(reversal) of impairment losses of trade and other receivables	**194**	186	**(6)**	6	**–**	–	**188**	192	**195**	8	**–**	–	**383**	200
Allowance/(reversal of allowance) for obsolete inventories	**243**	(1,167)	**3,790**	164	**–**	–	**4,033**	(1,003)	**1,750**	513	**–**	–	**5,783**	(490)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:														
Finance costs	**1,188**	103	**247**	141	**6,313**	2,259	**7,748**	2,503	**–**	–	**–**	–	**7,748**	2,503
Interest income *(Note (ii))*	**22**	129	**–**	–	**–**	16	**22**	145	**–**	–	**53,277**	27,068	**53,299**	27,213

Notes:

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

(ii) Interest income consists of effective interest income on loans receivable and bank deposits.

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**656,971**	608,424
The PRC	**172,403**	151,777
Singapore	**216**	426
Macau	**9,710**	–
Others	**25,958**	24,954
	865,258	785,581

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**1,029,661**	907,855
The PRC	**734**	369
Singapore	**413**	1,313
Macau	**939**	–
	1,031,747	909,537

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

Information about major customers

During the years ended 31 March 2014 and 2013, no revenue from transactions with a single external customer contributed over 10% of the total sales of the Group.

5. REVENUE AND OTHER INCOME

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

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**852,758**	775,384
Rental income from investment properties	**11,596**	9,362
Management and promotion fees	**904**	835
	865,258	785,581
Other income		
Effective interest income on loans receivable	**50,136**	26,478
Interest income on bank deposits	**3,163**	735
Dividends from investments held-for-trading	**1,760**	1,578
Franchise income	**90**	90
Sub-lease rental income	**2,780**	2,933
Gain on disposal of property, plant and equipment	**50**	–
Others	**3,425**	1,595
	61,404	33,409

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,033,000 (2013: reversal of allowance of HK$1,003,000))	**475,768**	424,572
Depreciation	**17,111**	15,163
Amortisation of other intangible assets	**213**	204
Research and development costs	**692**	837
Auditors' remuneration:		
Current year	**2,050**	1,897
Underprovision in prior years	**–**	164
	2,050	2,061
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits	**124,523**	107,949
Share-based payment	**4**	45
Pension scheme contributions	**9,391**	6,552
	133,918	114,546
Exchange losses, net	**92**	83
Recognition of impairment losses of trade and other receivables	**188**	192
Gross rental income	**(11,596)**	(9,362)
Less: direct outgoing expenses	**244**	188
	(11,352)	(9,174)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**2,862**	1,720
Bank borrowings not wholly repayable within five years	**4,886**	783
	7,748	2,503

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**EIT**") rate of two of the Group's subsidiaries established in the PRC is 25% (2013: 25%).

	2014	2013
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**3,128**	944
Underprovision in prior years	**117**	9
Current — other jurisdiction		
Charge for the year	**480**	1,093
Underprovision in prior years	**(189)**	–
Deferred taxation	**140**	(1,755)
Total tax charge for the year	**3,676**	291

The share of tax attributable to associates amounted to tax credit of approximately HK$12,573,000 (2013: tax charge of approximately HK$4,226,000) is included in "Share of results of associates" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

9. DISCONTINUED OPERATION

During the year, the Group significantly scaled down the operation of its Birds' Nest Sub-group due to the continuous decline in demand for its products. The Group is winding up the subsidiaries in the Birds' Nest Sub-group. As such, the business of the Birds' Nest Sub-group was classified as a discontinued operation in the Group's consolidated financial statements.

The results of the discontinued operation for the year are presented below:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**16,847**	22,936
Cost of sales	**(17,308)**	(18,635)
Gross profit/(loss)	**(461)**	4,301
Other income	**1,495**	1,530
Selling and distribution expenses	**(1,670)**	(2,112)
Administrative expense	**(4,510)**	(3,548)
Profit/(loss) before tax from the discontinued operation	**(5,146)**	171
Income tax credit/(expense)	**50**	(248)
Loss for the year from the discontinued operation	**(5,096)**	(77)
Attributable to:		
Owners of the parent	**(4,831)**	(83)
Non-controlling interests	**(265)**	6
	(5,096)	(77)

	2014	2013
Basic and diluted loss per share from the discontinued operation	**HK0.17 cents**	HK0.01 cents

The calculations of basic and diluted loss per share (note 11) from the discontinued operation are based on:

	2014	2013
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$4,831,000**	HK$83,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**2,931,142,969**	2,156,323,791

10. DIVIDENDS

	2014 *HK$'000*	2013 *HK$'000*
Proposed final — HK0.3 cents (2013: HK0.3 cents) per ordinary share	**8,793**	8,793

No interim dividend was declared in respect of the years ended 31 March 2014 and 2013.

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,931,142,969 (2013: 2,156,323,791) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2014 *HK$'000*	2013 *HK$'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations		
From continuing operations	**168,205**	148,516
From a discontinued operation *(note 9)*	**(4,831)**	(83)
	163,374	148,433

	Number of shares 2014	 2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,931,142,969**	2,156,323,791

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**139,509**	98,787
Less: accumulated impairment	**(3,790)**	(3,408)
	135,719	95,379
Rental and other deposits	**25,703**	25,336
Prepayments	**22,056**	18,925
Other receivables	**15,648**	15,147
	63,407	59,408
Total trade and other receivables	**199,126**	154,787

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. 77% (2013: 76%) of the trade receivables that are neither past due nor impaired are with good credit quality in view of good historical repayment records.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**46,931**	41,111
31–60 days	**29,811**	18,635
61–120 days	**37,414**	25,438
121–180 days	**21,563**	10,195
	135,719	95,379

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$30,679,000 (2013: approximately HK$22,966,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which were past due but not impaired based on the due date:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**6,892**	11,770
31–60 days	**7,631**	5,512
61–120 days	**15,698**	3,422
121–180 days	**425**	994
Over 180 days	**33**	1,268
	30,679	22,966

The Group has provided fully for all receivables that were past due over 180 days because historical experience shows that receivables that are past due beyond 180 days are generally not recoverable, except for a receivable that were past due over 180 days but not impaired and was related to the sales to a PRC customer who has made continuous settlements subsequent to the reporting date. The directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements in the allowance for doubtful debts

	2014	2013
	HK$'000	*HK$'000*
At 1 April	**3,408**	18,207
Recognition of impairment losses of trade and other receivables	**383**	200
Amount written off as uncollectible	**–**	(15,000)
Exchange realignment	**(1)**	1
At 31 March	**3,790**	3,408

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$3,790,000 (2013: approximately HK$3,408,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers based on their settlement records. The Group does not hold any collateral over these balances.

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

	2014	2013
	HK$'000	*HK$'000*
Singapore dollar	**216**	208
United States dollar ("**USD**")	**12**	4

13. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**64,937**	64,857
Accrual of salaries and commission	**14,789**	13,292
Accrual of advertising and promotion	**2,651**	3,694
Rental deposits received	**2,627**	2,244
Other payables and accruals	**26,317**	17,457
	111,321	101,544

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**26,782**	19,117
31–60 days	**20,710**	19,319
61–120 days	**16,379**	25,247
Over 120 days	**1,066**	1,174
	64,937	64,857

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

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

	2014	2013
	HK$'000	*HK$'000*
Renminbi	**16,074**	17,055
New Taiwan Dollar	**844**	1,647
USD	**233**	833
HK$	**–**	594
Euro	**–**	645

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$865.3 million (2013: approximately HK$785.6 million) and profit attributable to owners of the parent of approximately HK$163.4 million (2013: approximately HK$148.4 million).

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.3 cents (2013: HK0.3 cents) per ordinary share for the year ended 31 March 2014 to shareholders on the register of members of the Company as of Thursday, 24 July 2014. The final dividend will be paid on or around Thursday, 31 July 2014, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 July 2014. No interim dividend was made for the six months ended 30 September 2013 (30 September 2012: Nil).

CLOSURE OF REGISTER

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

(a) for determining eligibility to attend and vote at the 2014 annual general meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m., Thursday, 10 July 2014
Closure of register of members:	Friday, 11 July 2014 to Wednesday, 16 July 2014
Record Date:	Wednesday, 16 July 2014

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

Latest time to lodge transfer documents for registration:	4:30 p.m., Tuesday, 22 July 2014
Closure of register of members:	Wednesday, 23 July 2014 to Thursday, 24 July 2014
Record Date:	Thursday, 24 July 2014

In order to be eligible to attend and vote at the 2014 annual general meeting and to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest date and time set out above.

BUSINESS REVIEW

For the year ended 31 March 2014, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK$865.3 million (2013: approximately HK$785.6 million), representing a growth of approximately 10.1% over last year. Besides, the Group recorded an increase in profit attributable to owners of the parent for the year ended 31 March 2014, resulted to approximately HK$163.4 million (2013: approximately HK$148.4 million). Such improvement in result was mainly attributable to, among other things, the increase in gross profit resulting from the increase in the Group's turnover and the gain from change in fair value of investments held-for-trading, although the same has been partly set-off by the decrease in fair value gains on investment properties.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 9.6% from approximately HK$640.2 million for last year to approximately HK$701.6 million. Due to the recent relatively slower overall economy, which placed heavy pressure on the general retail business environment, there was a slowdown in the growth rate of our retail business. Indeed we still recorded a better same store sale growth at a low single digit. On the other hand, sales performance in other channels, such as chain stores, key accounts and open trade, kept on recording remarkable growth rate against last year. This achievement was the result of increasing focus and resources to boost these alternative sale channels which we had previously identified to have good potential. Besides, the growth of our retail business and the increasing number and presence of our retail shops have contributed promotional effect and positive image of our brand, which have also stimulated the sales momentum in these other channels.

The increasing public awareness and concern on personal health and the increasing trend of people consuming health supplements also contributed part of the growth. Throughout the year, we have continued expanding our product range to attract and broaden our customer base. Series of marketing campaigns have been launched to promote brand awareness and product image. Meanwhile, we have kept on maintaining strict production and process control so as to reinforce customers' confidence in our quality products. We believe that all these actions gone through have attracted not just local Hong Kong citizens but also the increased number of Mainland Chinese tourists visiting Hong Kong to buy our products.

In addition, the establishment of integrated Chinese medical centres to provide Chinese medicine consultation services has proven successful and the Group has explored ways to further expand our Chinese medicine consultation services. We believe that this strategic move will help to further strengthen our position in the Chinese pharmaceutical and health food products industry.

(2) Western Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 11.8% from approximately HK$136.0 million for last year to approximately HK$152.0 million. The upsurge in sales was mainly contributed by the cough syrup products under our primary brand "Madame Pearl's". After about half year's prohibition in sales as imposed by the Mainland China government authority, the sales of cough syrup products containing codeine in Mainland China market resumed in May 2013. Customers' demand has been accumulated during the ban period and thus brought forward the sales to the current year.

Meanwhile, the sales performance of the personal care products under our secondary brand "Pearl's" continued to be positive and has shown a stable sales momentum. By means of continuous product development, added promotion effort, increased product penetration and appearance in different sale channels, "Pearl's" has gained customer confidence, becoming more well-known to the public and more well-received by the market. In future, we shall diversify its products portfolio and introduce more new personal care products which target the children and the adult sectors to the market.

Another new product line, sugar-free mint candy, also brought in constant revenue to the Group since its launch in the market, attracting and broadening our customer base, especially among the younger generation. Again, we shall expand this product line and bring in fresher and more energetic products in order to attract more customers from the new generation.

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

Turnover for the year decreased by approximately 26.6% from approximately HK$22.9 million for last year to approximately HK$16.8 million. Mainland China remains putting an embargo on the import of both dry birds' nest and bottled birds' nest caused the continuous sales dip in this segment. Besides, we also experienced sales drop in the Singapore local market due to cautious consumer spending.

The overall drop in popularity of people consuming birds' nest and related products has posed a difficult business environment. Besides, the unpredictability of when Mainland China will lift the ban on the import of birds' nest also caused a great uncertainty. Together with the high labour cost and the ever increasing operating costs in Singapore, management was pessimistic about the future profitability of this business segment. Hence, at the end of January 2014, management decided to close down the factory in Singapore, ceased operations and discontinued this business segment.

(4) Property Investment

On 2 April 2013, the Group completed the acquisition of an investment property located in Jordan, Kowloon, Hong Kong, at a cash consideration of HK$81.0 million. The property is currently leased out to an independent third party for commercial purpose.

Together with the above mentioned, the Group has 11 properties on hand in which all of them are retail shops. Currently, five properties are leased out for commercial purpose while six properties are used by our retail shops. Management believes in the long-term prospects of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

Subsequent to the year end, on 8 May 2014, the Group entered into a provisional sale and purchase agreement with an independent third party individual for the acquisition of a property located in To Kwa Wan Road, Kowloon, Hong Kong, at a cash consideration of HK$40.3 million. The acquisition will be completed on or before 6 August 2014. Details of the property acquisition were set out in the Company's announcement dated 9 May 2014.

(5) Investment in PNG Resources Holdings Limited ("PNG")

PNG is a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is principally engaged in the businesses of property development in the PRC and retailing of the fresh pork meat and related produce in Hong Kong.

On 19 September 2013, PNG announced the disposal of a subsidiary. This subsidiary company in turn holds the entire issued share capital of another company which is principally engaged in the forestry and timber logging project in Papua New Guinea. For details of the disposal, please refer to PNG's announcement dated 19 September 2013 and PNG's circular dated 7 November 2013.

On 20 November 2013, the Group, PNG and a placing agent entered into a top-up placing and subscription agreement pursuant to which (i) the Group has agreed to place, through the placing agent, 1,538 million PNG top-up placing shares to not less than six independent investors at a top-up placing price of HK$0.1 per PNG top-up placing share; and (ii) the Group has agreed to subscribe for 1,538 million PNG top-up subscription shares at a top-up subscription price of HK$0.1 per PNG top-up subscription share. The top-up placing was completed on 25 November 2013 and the top-up subscription was completed on 27 November 2013. Accordingly, the Group's shareholding interest in PNG has been diluted from 34.63% to 28.86%. Details of the transactions were set out in the Company and PNG's joint announcements dated 20 November 2013 and 27 November 2013.

The Group's share of the profit of PNG amounted to approximately HK$22.8 million for the year (2013: approximately HK$9.7 million). The improvement in result was mainly due to the net effect of the increase in profit realised from PNG's sale of property in the PRC and the increase in fair value of the financial assets at fair value through profit or loss over the loss resulting from the decrease in fair value of the plantation assets in Papua New Guinea during the year.

No impairment loss on the Group's investment in PNG was recognised by the Group during the year (2013: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in PNG.

(6) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded net gain on change in fair value of investments held-for-trading of approximately HK$46.4 million for the year (2013: approximately HK$1.2 million).

(7) Loan facilities granted to PNG

In August 2013, PNG repaid one of the outstanding loans with the principal amount of HK$15.0 million, together with accrued interest, to the Group upon its maturity.

On 22 August 2013, the Group and PNG entered into two sets of the supplemental loan agreements to each of the previous loan agreements regarding loan principal of HK$10.0 million and HK$190.0 million, respectively, pursuant to which the Group conditionally agreed to extend the respective repayment dates under each of the previous loan agreements for three years upon each of the respective maturity dates in consideration for the increase in interest rate from 8.0% to 10.0% per annum and the interest accrued will be payable on an annual basis. Details of the supplemental loan agreements were set out in the Company's announcement dated 22 August 2013 and the Company's circular dated 9 September 2013.

In view of the development prospects of PNG, the Group considers that it is in the interest of the shareholders to continue to support the development of PNG by way of loan financing with an aim to generate return to the shareholders in long run as a substantial shareholder of PNG. The Group also considers that the continuous provision of the loan facilities to PNG provides the Group a higher and stable interest income in the short to medium term.

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

On 28 May 2013, the Group entered into a loan agreement with CAP, pursuant to which the Group agreed to grant to CAP a revolving loan facility in an aggregate amount of not exceeding HK$150.0 million at an interest rate of 12.0% per annum for a term of three years. Loan principals of HK$100.0 million and HK$50.0 million were fully drawn down by CAP in May and June 2013, respectively.

Together with the aggregate outstanding loan of HK$175.0 million under previous loan facility agreements, CAP was indebted to the Group in an aggregate loan amount of HK$325.0 million as at 31 March 2014.

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

(9) Underwriting Rights Shares of CAP

As disclosed in the Company's announcement and circular dated 19 December 2013 and 23 January 2014, respectively, the Group participated in underwriting 228 million rights shares at HK$0.465 per CAP's rights share under the rights issue proposed by CAP in the proportion of 15 adjusted CAP rights shares for every one adjusted CAP share held on the record date at HK$0.465 per rights share of CAP (the "**CAP Rights Issue**"), in consideration of receiving commission of 2.5% of the aggregate subscription price of the underwritten rights shares, pursuant to the underwriting agreement executed on 4 December 2013.

As a result of the over-subscription of the CAP Rights Issue, completion of which took place on 25 March 2014, the Group was not required to take up any underwritten shares. Thus, at the end of the reporting period, the Group did not hold any equity interest in CAP.

(10) New factory construction project in Yuen Long Industrial Estate

Following the grant lease of a piece of land located at Yuen Long Industrial Estate by Hong Kong Science and Technology Parks Corporation to the Group as mentioned in last year annual report, the preliminary works for the construction of a five-storey factory building to house the Group's pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing already commenced indeed. Foundation work is now underway and will last until mid-2014. Thereafter, superstructure works, fitting out works, equipment ordering, etc. will follow. We expected that the whole factory construction will be completed in 2016, while operation is targeted to begin in early 2017.

FINANCIAL REVIEW

Liquidity and Gearing

As at 31 March 2014, the Group's total borrowings amounted to approximately HK$391.2 million (2013: approximately HK$262.8 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 21.3% (2013: approximately 15.7%).

Foreign Exchange

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

Capital Commitment

As at 31 March 2014, the Group had capital commitment of approximately HK$26.0 million (2013: approximately HK$13.6 million) and nil (2013: approximately HK$37.0 million) in respect of the acquisition of property, plant and equipment and investment property, respectively, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 31 March 2014, the Group had no material contingent liabilities (2013: Nil).

EMPLOYEES

As at 31 March 2014, the Group had 742 (2013: 741) employees, of whom approximately 71% (2013: approximately 66%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group. The Group's total staff costs for the year were approximately HK$146.0 million (2013: approximately HK$127.6 million).

PROSPECTS

The recent global financial instability and economic slow down has generally affected the business environment in Hong Kong and the PRC, with the retail business being the most vulnerable. In order to minimise the general adverse effect on our business of the worsening global environment as well as the ever changing local government policy, control and measure, the Group will continue to make efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Realising that people are attaching greater importance to personal health and well-being, the Group will produce more educational information relating to these topics and will publish in various media which can show to the public our dedication within the industry. Having seen evidence of a strong growth potential in other sale channels, such as chain stores, key accounts, open trade, etc., the Group will further increase its focus and concentration by adding more resources, including manpower, incentives, advertising and promotion budget to develop these alternative sale channels, with the aim of balancing the risks and reliance on retail business and shifting towards a more healthy sale channel mix. Besides, the Group will also make use of the cyber world, such as online shopping, cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which have already been recognised as an effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth if it can bring synergy to our existing business, as well as diversification of our investment portfolio for strengthening and broadening our income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group as they form a significant portion of the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, reviewing various operating cycles and processes so as to improve our production efficiency and restructuring some of our retail shops, whether location or shop size, to achieve greater sales revenue deriving from lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system in the pharmaceutical industry is the next milestone of the Group. Taking the opportunity that the Group has been granted the lease of a piece of land located at Yuen Long Industrial Estate, the Group is keen to construct a new and modernised five-storey factory building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. To prepare for the commencement of production of this new factory in 2017 and to ensure its capacity could be utilised efficiently, the Group has enhanced the effort on new products development and registration, especially focus on those Chinese and western medicinal products, which we believe that their uniqueness and curative effect are the key attraction to consumers and considering to be the future continuous income source to the Group. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to enhance its shareholder value.

The Board has reviewed the corporate governance practices of the Company and is satisfied that the Company had applied the principals and complied with the code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the financial year ended 31 March 2014.

Further details of the Company's corporate governance practices are set out in the corporate governance report to be contained in the Company's 2014 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all directors, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the financial year under review. No incident of non-compliance by the directors was noted by the Company during the year.

AUDIT COMMITTEE

The Company has established its audit committee (the "**Audit Committee**") with specific terms of reference in accordance with the requirements of the Listing Rules. The Audit Committee comprises Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive directors of the Company, and Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

During the year, the Audit Committee met twice with the management and the external auditors to review and consider, among other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of the consolidated interim results and the consolidated final results), the statutory compliance, internal controls, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. The Audit Committee has reviewed with the management and the external auditors the consolidated financial statements for the year ended 31 March 2014.

ANNUAL GENERAL MEETING

The 2014 annual general meeting of the shareholders of the Company will be held at Garden Rooms A & B, 2/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong, on Wednesday, 16 July 2014 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of the HKExnews *(www.hkexnews.hk)* and the Company *(www.wyth.net)*. The 2014 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman

Hong Kong, 14 May 2014

As at the date of this announcement, the Board comprises three executive directors of the Company, namely Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun, and four independent non-executive directors of the Company, namely Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou.

* *For identification purpose only*