

Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)



**2011
INTERIM
REPORT**



- 潤腸熱氣
- 潤除口臭
- 潤除痧脹
- 潤除嘔吐

5 大潤腸熱氣



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y.T. Ho & Co.
K&L Gates

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 2011 (30 September 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30 September 2011, the Group recorded a turnover and loss attributable to owners of the Company of approximately HK\$330.8 million (2010: approximately HK\$266.1 million) and approximately HK\$134.8 million (2010: profit of approximately HK\$41.0 million), respectively.

(1) Chinese Pharmaceutical Products

Turnover for the period under review increased by approximately 27.6% from approximately HK\$198.5 million for the same period last year to approximately HK\$253.2 million. The achievement was the result of customers’ confidence in our quality products, expansion of our product range, launching of a customer loyalty program, the incentive scheme for our staff, a series of marketing campaigns and the increase in the number of Mainland Chinese tourists visiting Hong Kong. These resulted in better same store sales growth and a generally better performing retail business. Besides, in addition to the existing traditional Chinese medical clinics operated within our retail shops, the Group opened its first integrated Chinese medical centre located in Nathan Road, Kowloon, Hong Kong in August 2011, namely Wai Yuen Tong Practicare Imperial. This strategic move helps to further strengthen our position in the Chinese medicine and health food products industry.

(2) Western Pharmaceutical Products

Turnover for the period under review increased by approximately 9.7% from approximately HK\$50.5 million for the same period last year to approximately HK\$55.4 million. Besides the cough syrup products under the brand “Madame Pearl’s” which have contributed a stable sales momentum, the Group has successfully diversified its product portfolio by launching personal care products under its secondary brand “Pearl’s”. These new personal care products were well received by the market and have brought synergy effect to the business as a whole.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

(3) Bottled Birds' Nest Drinks Products

Turnover for the period under review increased by approximately 12.7% from approximately HK\$15.7 million for the same period last year to approximately HK\$17.7 million. The improved management's and staff's sale efforts accounted for the better result. Furthermore, the Group has diversified its product range and has expanded the distribution of its products to more overseas Chinese communities.

(4) Investment Properties

Some of the Group's properties were leased out for commercial purpose while some were used by its retail shops. Management believes in the long-term prospect of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

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

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

PNG, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is principally engaged in forestry and logging operations in Papua New Guinea, property development in the People's Republic of China (the "**PRC**") and retailing of fresh pork meat and related produce in Hong Kong. The Group shared the loss of PNG of approximately HK\$22.4 million for the period under review as compared to the share of profit of approximately HK\$5.5 million for the previous period.

The Group also recognised an impairment losses of approximately HK\$95.0 million during the period under review as the recoverable amount, which was determined on the basis of the market price of PNG's shares, was lower than the carrying value of the interest in PNG.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

(6) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. Owing to the recent global financial downturn and economic slowdown, there has been a decline in Hong Kong's stock market. As a result, the Group has recorded net realised and unrealised losses of approximately HK\$57.6 million on these held-for-trading investments during the period under review.

FINANCIAL REVIEW

Liquidity and Gearing

As at 30 September 2011, the Group's total borrowings amounted to approximately HK\$138.1 million (31 March 2011: approximately HK\$118.8 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 9.5% (31 March 2011: approximately 7.5%).

Foreign Exchange

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

Capital Commitment

As at 30 September 2011, the Group had no material capital commitments (31 March 2011: approximately HK\$31.9 million) which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 September 2011, the Group had no material contingent liabilities (31 March 2011: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES

As at 30 September 2011, the Group had 674 (31 March 2011: 654) employees, of whom approximately 62% (31 March 2011: approximately 67%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group.

PROSPECTS

The recent global financial and economic instability will affect the business environment in Hong Kong, especially the retail business. In order to minimise the adverse effect of the worsening global environment on our business, the Group will continue to expand its product range and strengthen quality control so as to enhance the image and competitiveness of its brands and its products. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

Rising labour, raw materials and rental costs all add burden to the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, improving our production efficiency and relocating some of our retail shops to lower overall rental costs, the Group's management seeks to maintain its profitability. Hence, the Board is optimistic about the Group's prospects.

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 2011, 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	3.4488	78,214	2.1.2008 to 1.1.2012	78,214		
	2.1.2008	1.8782	78,214	2.1.2009 to 1.1.2013	78,214		
	8.1.2009	1.2050	78,214	8.1.2010 to 7.1.2019	<u>78,214</u>	234,642	0.01

Notes:

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

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

- (2) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2011 of 2,036,142,969 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 2011, 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 2011, 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:

Name of shareholders	Number of shares	Approximate percentage of the Company's total issued share capital <i>(Note 2)</i> %
Wang On Group Limited (" Wang On ") <i>(Note 1)</i>	186,262,034	9.15
Wang On Enterprises (BVI) Limited (" WOE ") <i>(Note 1)</i>	186,262,034	9.15
Rich Time Strategy Limited (" Rich Time ") <i>(Note 1)</i>	186,262,034	9.15

Notes:

1. Rich Time is wholly owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in 186,262,034 shares of the Company held by Rich Time.
2. The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2011 of 2,036,142,969 shares.

Save as disclosed above, as at 30 September 2011, 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	Number of share options				Outstanding as at 30 September 2011	Date of grant	Exercise price per share HK\$	Exercisable period*
	Outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed or cancelled during the period				
Executive director								
Ms. Tang Mui Fun	78,214	–	–	–	78,214	3.1.2007	3.4488	2.1.2008 – 1.1.2012
	78,214	–	–	–	78,214	2.1.2008	1.8782	2.1.2009 – 1.1.2013
	78,214	–	–	–	78,214	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	<u>234,642</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>234,642</u>			
Other employees								
In aggregate	316,470	–	–	(38,506)	277,964	3.1.2007	3.4488	2.1.2008 – 1.1.2012
	474,103	–	–	(38,506)	435,597	2.1.2008	1.8782	2.1.2009 – 1.1.2013
	649,786	–	–	(38,506)	611,280	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	1,016,793	–	–	(60,166)	956,627	12.5.2010	0.4321	12.5.2011 – 11.5.2020
	<u>2,457,152</u>	<u>–</u>	<u>–</u>	<u>(175,684)</u>	<u>2,281,468</u>			
	<u>2,691,794</u>	<u>–</u>	<u>–</u>	<u>(175,684)</u>	<u>2,516,110</u>			

SHARE OPTION SCHEME (CONTINUED)

Notes:

* The share 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

As at 30 September 2011, the Company had 2,516,110 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 2,516,110 additional ordinary shares of the Company and additional share capital of HK\$25,161.10 and share premium of HK\$3,412,464.20.

During the six months ended 30 September 2011, no share options were granted and no outstanding share options was exercised.



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had 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 2011.

The Group continues to improve its management and control level so as 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2011.

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 standards set out in the Model Code adopted by the Company throughout the period under review.

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 condensed consolidated financial statements for the six months ended 30 September 2011 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, 16 November 2011

INTERIM RESULTS

The Board announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 September 2011, together with the comparative figures for the corresponding period in 2010. These interim condensed consolidated financial statements were not audited, but have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	3	330,760	266,118
Cost of sales		(179,281)	(148,582)
Gross profit		151,479	117,536
Other income	4	16,817	12,098
Selling and distribution expenses		(98,041)	(82,099)
Administrative expenses		(38,932)	(45,138)
Finance costs	5	(987)	(418)
Change in fair value of investments held-for-trading		(57,649)	(6,010)
Change in fair value of investment properties		16,876	23,651
Gain on disposal of a subsidiary		—	29,155
Impairment losses recognised in respect of an associate		(95,026)	—
Share of results of associates		(22,401)	5,560
(Loss) profit before taxation	6	(127,864)	54,335
Income tax expense	7	(6,894)	(7,585)
(Loss) profit for the period		(134,758)	46,750

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2011

	Note	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Other comprehensive income (expense)			
Exchange differences on translation of foreign operations arising during the period		726	352
Reclassification adjustment on disposal of a subsidiary		—	(890)
Gain on revaluation on transfer from property, plant and equipment to investment properties		—	28,014
Share of other comprehensive income of an associate		8,313	(4,964)
Income tax relating to gain on revaluation on transfer from property, plant and equipment to investment properties		—	(4,622)
Other comprehensive income for the period (net of tax)		9,039	17,890
Total comprehensive (expense) income for the period		(125,719)	64,640
(Loss) profit for the period attributable to:			
Owners of the Company		(134,796)	41,044
Non-controlling interests		38	5,706
		(134,758)	46,750
Total comprehensive (expense) income attributable to:			
Owners of the Company		(125,798)	59,321
Non-controlling interests		79	5,319
		(125,719)	64,640
(Loss) Earnings per share			
Basic and diluted (Cents)	8	(6.62)	7.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	174,477	145,975
Investment properties	10	284,000	229,900
Goodwill		15,335	15,335
Interests in associates	12	517,381	626,495
Other intangible assets		794	682
Loans receivable	13	220,381	285,638
Deferred tax assets		3,514	3,514
Deposit for acquisition of investment property		—	3,528
		1,215,882	1,311,067
CURRENT ASSETS			
Inventories		143,773	95,428
Trade and other receivables	14	109,129	105,353
Amounts due from associates	15	2,740	2,933
Investments held-for-trading		62,251	126,465
Loans receivable	13	79,011	11,359
Tax recoverable		62	127
Bank balances and cash		110,006	148,504
		506,972	490,169
CURRENT LIABILITIES			
Trade and other payables	16	102,691	74,297
Bank borrowings		59,783	33,329
Deferred franchise income		33	18
Tax payable		6,314	3,464
		168,821	111,108
NET CURRENT ASSETS		338,151	379,061
TOTAL ASSETS LESS CURRENT LIABILITIES		1,554,033	1,690,128

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2011

	Note	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowings		78,275	85,438
Deferred tax liabilities		19,335	16,533
		97,610	101,971
NET ASSETS			
		1,456,423	1,588,157
CAPITAL AND RESERVES			
Share capital	18	20,361	20,361
Reserves		1,428,247	1,560,060
Equity attributable to owners of the Company		1,448,608	1,580,421
Non-controlling interests		7,815	7,736
TOTAL EQUITY			
		1,456,423	1,588,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	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) profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 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 year	–	–	–	–	–	–	–	–	99,133	99,133	5,762	104,895
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,527	–	–	–	1,527	61	1,588
Reclassification adjustment on disposal of a subsidiary	–	–	–	–	–	(486)	–	–	–	(486)	(404)	(890)
Gain on revaluation on transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	28,014	–	28,014	–	28,014
Share of other comprehensive income of an associate	–	–	–	–	–	12,033	(9,694)	–	–	2,339	–	2,339
Income tax relating to gain on revaluation on transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	(4,622)	–	(4,622)	–	(4,622)
Total comprehensive income (expense) for the year	–	–	–	–	–	13,074	(9,694)	23,392	99,133	125,905	5,419	131,324
Issue of shares	12,000	51,600	–	–	–	–	–	–	–	63,600	–	63,600
Rights issue and bonus issue	17,453	286,513	–	(2,909)	–	–	–	–	–	301,057	–	301,057
Share issue expenses	–	(9,502)	–	–	–	–	–	–	–	(9,502)	–	(9,502)
Reduction in share capital	(69,811)	–	–	–	–	–	–	–	69,811	–	–	–
Reduction in share premium	–	(263,511)	–	–	–	–	–	–	263,511	–	–	–
Recognition of share-based payment	–	–	–	–	373	–	–	–	–	373	–	373
Lapse of share options	–	–	–	–	(104)	–	–	–	104	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(3,764)	(3,764)
At 31 March 2011 (audited)	20,361	1,195,767	(27,150)	215,599	1,684	22,764	–	23,392	128,004	1,580,421	7,736	1,588,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2011

	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) profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Loss for the period	-	-	-	-	-	-	-	-	(134,796)	(134,796)	38	(134,758)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	685	-	-	-	685	41	726
Share of other comprehensive income of an associate	-	-	-	-	-	8,313	-	-	-	8,313	-	8,313
Total comprehensive income (expense) for the period	-	-	-	-	-	8,998	-	-	(134,796)	(125,798)	79	(125,719)
Recognition of share-based payment	-	-	-	-	93	-	-	-	-	93	-	93
Lapse of share options	-	-	-	-	(129)	-	-	-	129	-	-	-
2011 final dividend paid	-	-	-	-	-	-	-	-	(6,108)	(6,108)	-	(6,108)
At 30 September 2011	20,361	1,195,767	(27,150)	215,599	1,648	31,762	-	23,392	(12,771)	1,448,608	7,815	1,456,423

Notes:

- 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.
- 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 2011

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash from (used in) operating activities	8,236	(6,784)
Net cash used in investing activities	(59,459)	(50,336)
Net cash from financing activities	12,195	54,240
Net decrease in cash and cash equivalents	(39,028)	(2,880)
Cash and cash equivalents at the beginning of the period	148,504	81,144
Effect of foreign exchange rate changes	530	54
Cash and cash equivalents at the end of the period, represented by bank balances and cash	110,006	78,318



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 the 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 2011, 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 2011.

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests ²
HKFRS 13	Fair Value Measurements ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised)	Separate Financial Statement ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2012.

⁴ Effective for annual periods beginning on or after 1 July 2012.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 comprises the following:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Sales of goods	325,898	264,157
Rental income from investment properties	4,415	1,471
Management and promotion fees	447	490
	330,760	266,118

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

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

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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE												
External sales	253,205	198,541	55,440	50,456	17,700	15,650	4,415	1,471	—	—	330,760	266,118
Inter segment sales*	—	543	—	56	29,570	21,714	2,088	—	(31,658)	(22,313)	—	—
	253,205	199,084	55,440	50,512	47,270	37,364	6,503	1,471	(31,658)	(22,313)	330,760	266,118
Segment results	22,402	12,119	(1,693)	(2,501)	(854)	(652)	2,220	1,128			22,075	10,094
Other income											16,817	12,098
Unallocated expenses											(7,569)	(19,795)
Finance costs											(987)	(418)
Change in fair value of investments held-for-trading											(57,649)	(6,010)
Change in fair value of investment properties											16,876	23,651
Gain on disposal of a subsidiary											—	29,155
Impairment losses recognised in respect of an associate											(95,026)	—
Share of results of associates											(22,401)	5,560
(Loss) profit before taxation											(127,864)	54,335
Income tax expense											(6,894)	(7,385)
(Loss) profit for the period											(134,758)	46,750

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. OTHER INCOME

	For the six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Effective interest income on loans receivable	11,575	8,190
Interest income on bank deposits	16	10
Interest income on investments held-for-trading	415	713
Total interest income	12,006	8,913
Dividends from investments held-for-trading	2,172	179
Exchange gain, net	—	142
Gain on disposal of property, plant and equipment	—	9
Processing fee income	867	705
Sub-lease rental income	1,248	1,443
Sundry income	524	707
	16,817	12,098

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FINANCE COSTS

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	201	418
Bank borrowings not wholly repayable within five years	786	—
	987	418

6. (LOSS) PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Recognition of allowance for trade and other receivables	103	10,044
Reversal of allowance for obsolete inventories	(198)	(92)
Amortisation of other intangible assets, included in selling and distribution expenses	94	89
Depreciation of property, plant and equipment	6,428	4,959
Management fee paid to a shareholder	60	48
Gross rental income	(4,415)	(1,471)
Less: direct outgoing expenses	31	—
	(4,384)	(1,471)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Income tax recognised in profit or loss:		
Current tax		
Hong Kong	4,026	1,914
Other jurisdictions	84	1,769
Deferred taxation	4,110	3,683
Current period	2,784	3,902
	6,894	7,585

Hong Kong Profits Tax is calculated at 16.5% (2010: 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.

8. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(134,796)	41,044
	Number of shares 2011	Number of shares 2010
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	2,036,142,969	580,308,559

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the six months ended 30 September 2010 has been retrospectively adjusted for the effect of the consolidation of shares and the bonus element of the rights issue and bonus issue taken place on 21 September 2010 and 27 October 2010, respectively.

The computations of diluted (loss) earnings per share for the six months ended 30 September 2011 and 2010 do not assume the exercise of the outstanding share options of the Company as the exercise prices of those options are higher than the average market price of the shares of the Company for both periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment for an amount of approximately HK\$34,737,000 (six months ended 30 September 2010: approximately HK\$2,749,000).

10. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2011	229,900
Addition during the period	37,224
Change in fair value recognised in profit or loss	16,876
<hr/>	
At 30 September 2011	284,000

The fair value of the Group's investment properties at 30 September 2011 have been arrived at on the basis of a valuation carried out by independent qualified professional valuers not connected with the Group.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. PLEDGE OF ASSETS

The Group has pledged the following assets to banks to secure general banking facilities granted to the Group.

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Buildings	119,173	120,824
Investment properties	284,000	206,100
	403,173	326,924

12. INTERESTS IN ASSOCIATES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Cost of investment in associates		
– Listed in Hong Kong	678,318	678,318
– Unlisted	3,831	3,831
Less: impairment losses recognised	(132,720)	(37,694)
	549,429	644,455
Share of post-acquisition profits and other comprehensive income, net of dividends received	(32,048)	(17,960)
	517,381	626,495
Market value of listed investments	514,868	991,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. LOANS RECEIVABLE

	Name of borrower	Maturity date	Effective interest rate per annum	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
8% unsecured HK\$190 million loan	PNG (Notes a, b)	12 November 2013	7.95%	193,831	193,748
8% unsecured HK\$15 million loan	PNG (Notes a, b)	10 August 2013	7.43%	16,368	15,766
8% unsecured HK\$10 million loan	PNG (Notes a, b, c)	9 July 2014	7.43%	10,182	11,359
8% unsecured HK\$60 million loan	China Agri-Products Exchange Limited ("China Agri-Products") (Note b)	30 September 2012	7.80%	63,353	61,052
8% unsecured HK\$15 million loan	China Agri-Products (Note b)	30 September 2012	7.85%	15,658	15,072
				299,392	296,997
Analysed for reporting purposes as:					
	Non-current assets			220,381	285,638
	Current assets			79,011	11,359
				299,392	296,997

Notes:

- (a) PNG is an associate of the Group.
- (b) Mr. Chan Chun Hong, Thomas, a director of the Company, is also the Chairman of China Agri-Products and PNG, companies listed on the Stock Exchange.
- (c) On 11 July 2011, the Group and PNG have entered into a Supplemental Loan Agreement to the Loan Agreement of the principal amount of HK\$10,000,000, pursuant to which the Group agreed to extend the repayment date under the Loan Agreement for three years upon the maturity date. Save as amended by the Supplemental Loan Agreement, all other terms and conditions of the Loan Agreement remain unchanged.

Details of the Supplemental Loan Agreement is set out in the Company's announcement dated 11 July 2011.

14. TRADE AND OTHER RECEIVABLES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade receivables	66,890	68,561
Less: accumulated impairment	(3,365)	(3,260)
	63,525	65,301
Deposits, prepayments and other receivables	60,604	55,052
Less: accumulated impairment	(15,000)	(15,000)
	45,604	40,052
Total trade and other receivables	109,129	105,353

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
0–30 days	32,051	38,385
31–60 days	16,616	10,249
61–120 days	11,235	15,586
Over 120 days	3,623	1,081
	63,525	65,301

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. AMOUNTS DUE FROM ASSOCIATES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade receivables due from associates	2,740	2,933

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

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
0–30 days	1,818	1,762
31–60 days	722	638
61–120 days	200	533
	2,740	2,933

16. TRADE AND OTHER PAYABLES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade payables	63,184	38,551
Other payables	39,507	35,746
	102,691	74,297

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
0–30 days	34,547	25,508
31–60 days	21,590	11,857
61–120 days	6,609	457
Over 120 days	438	729
	63,184	38,551



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. BANK BORROWINGS

During the period, the Group obtained new bank loans in amount of approximately HK\$27,640,000 (31 March 2011: approximately HK\$56,800,000). These loans carry interest at 1.46% to 2.02% (31 March 2011: 1.50% to 2.08%) per annum.

18. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Share capital HK\$'000
Authorised:		
At 31 March 2011 and 30 September 2011	60,000,000,000	600,000
Issued and fully paid:		
At 31 March 2011 and 30 September 2011	2,036,142,969	20,361

Share options

Details of the Company's share option scheme are set out in the Section "Share Option Scheme" of the interim report 2011.

19. DISPOSAL OF A SUBSIDIARY

On 19 April 2010, the Group disposed of its entire equity interest in Hunan Xiangya Pharmaceutical Company Limited (“**Hunan Xiangya**”) to Hunan Fangsheng Pharmaceutical Co Limited for a cash consideration of HK\$37,350,000.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. CAPITAL COMMITMENTS

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	—	126
— investment property	—	31,752
	—	31,878

21. OPERATING LEASES

The Group as lessee:

The Group made minimum lease payments of approximately HK\$36,442,000 (2010: approximately HK\$31,344,000) 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:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within one year	56,964	50,100
In the second to fifth year inclusive	98,843	88,040
Over five years	6,580	13,160
	162,387	151,300

Leases are negotiated for a term ranging from one to ten years. Certain leases have contingent rental payable which are based on turnover of the relevant retail shops. The contingent rent paid for the period is approximately HK\$8,196,000 (2010: approximately HK\$3,420,000).

21. OPERATING LEASES (Continued)

The Group as lessor:

Property rental income and sub-lease rental income earned during the period were approximately HK\$4,415,000 (2010: approximately HK\$1,471,000) and approximately HK\$1,248,000 (2010: approximately HK\$1,443,000), respectively. The properties are expected to generate rental yields of 3.3% (2010: 4.1%) on an ongoing basis.

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within one year	11,335	9,323
In the second to fifth year inclusive	8,436	9,892
	19,771	19,215

22. 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	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
(i) Wang On and its subsidiaries [#]	Rental received by the Group	912	917
	Rental paid by the Group	1,245	2,400
	Management fee paid by the Group	60	48
	Sales of Chinese pharmaceutical products by the Group	3,220	1,934
(ii) China Agri-Products [*]	Rental received by the Group	158	150
	Sales of Chinese pharmaceutical products by the Group	3,372	1,959
	Effective interest income on loans received by the Group	2,887	—
(iii) Associates	Sales of Chinese pharmaceutical products by the Group	9,100	7,576
	Rental received by the Group	621	238
	Effective interest income on loans received by the Group	8,688	8,190
	Management and promotion fees received by the Group	447	600

[#] Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, directors of the Company, are also directors of Wang On, a company listed on the main board of the Stock Exchange.

^{*} Mr. Chan Chun Hong, Thomas, a director of the Company, is also a director of China Agri-Products, a company listed on the main board of the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. RELATED PARTY DISCLOSURES (Continued)

Compensation of key management personnel

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short-term benefits	1,929	2,068
Post-employment benefits	30	30
Share-based payment	4	21
	1,963	2,119

The above remunerations were determined by the remuneration committee having regard to the performance of individuals and market trends.

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

23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved by the Board on 16 November 2011.