



# Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 897)



Growing Strong with Reputation  
(since 1897)

115週年

Interim Report 2012

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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

#### EXECUTIVE COMMITTEE

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

#### COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

#### AUDITORS

Deloitte Touche Tohmatsu

### PRINCIPAL BANKERS

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

### LEGAL ADVISERS

DLA Piper Hong Kong  
Gallant Y T Ho & Co

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

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

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

### 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 2012 (30 September 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six-month period ended 30 September 2012, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK\$365.7 million (2011: approximately HK\$330.8 million), representing a growth of approximately 10.6% over the same period last year. Besides, the Group recorded a turn from a loss to a profit for the six months ended 30 September 2012 as compared to the corresponding period in 2011, achieving a profit attributable to owners of the Company of approximately HK\$33.7 million (2011: loss of approximately HK\$132.0 million).

#### (1) Chinese Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 14.2% from approximately HK\$253.2 million for the same period last year to approximately HK\$289.1 million. The achievement was the result of reinforcing customer confidence in our quality products through strict production and process control, expanding our product range to attract and broaden our customer base, optimising our customer loyalty program with more attractive gifts and rewards, enhancing the incentive scheme for our staff to stimulate sales spirit, launching a series of marketing campaigns to promote brand awareness and product image and the continuously increasing number of Mainland Chinese tourists visiting Hong Kong to buy our products. Although there was a slightly recession in the overall economy, which placed heavy pressure on the general retail business environment, we have still recorded a better same store sale growth and a generally better performing retail business for the period.

Besides, in addition to the existing traditional Chinese medical clinics operated within our retail shops, the Group opened its first integrated Chinese medical centre last year, namely Wai Yuen Tong Practicare Imperial. This strategic move helps to further strengthen our position in the Chinese pharmaceutical and health food products industry.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (Continued)

#### (2) Western Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 11.0% from approximately HK\$55.4 million for the same period last year to approximately HK\$61.5 million. The cough syrup products under the brand “Madame Pearl’s” kept on contributing a very stable sales momentum and substantial profit margin to the Group.

Meanwhile, the Group has successfully diversified its products portfolio by launching a series of personal care products under its secondary brand “Pearl’s”. By means of continuous product development, adding promotion effort, increasing product penetration and appearance in different sale channels, “Pearl’s” has gained customer confidence, becoming more well-known to the public and more well-received by the market. In the second half of this financial year, we shall introduce more new personal care products which target the children and the adult sectors to the market.

In addition, the new product line, “**WALKER**” sugar-free mint candy, has brought in additional sale revenue to the Group since its launch to the market in the fourth quarter of last financial year. Market response is positive and encouraging.

#### (3) Bottled Birds’ Nest Drinks and Herbal Essence Products

Turnover for the period under review decreased by approximately 40.7% from approximately HK\$17.7 million for the same period last year to approximately HK\$10.5 million. The incidents of fake red/blood birds’ nest and high level of sodium nitrite contaminated birds’ nest last year in the market accounted for the significant drop in sales, especially the sales in mainland China market, as mainland China has put an embargo on the import of both dry birds’ nest and bottled birds’ nest. We expect that the whole birds’ nest business will recover when mainland China lifts the ban.

On the other hand, the Group has diversified its product range by introducing more herbal essence products and has expanded the distribution of its products to more oversea Chinese communities in order to minimise the impact of the loss of business in birds’ nest sales.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (Continued)

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

For the period under review, the Group did not acquire any properties as no appropriate one that suits our strategic needs has been identified.

#### (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 property development in the People's Republic of China (the "**PRC**"), forestry and logging operations in Papua New Guinea and retailing of fresh pork meat and related produce in Hong Kong.

The Group shared the loss of PNG of approximately HK\$5.2 million for the period under review (2011: approximately HK\$22.4 million). The reduction in loss was mainly due to the contribution from the revenue and profit realised from the sale of property in the PRC during the period.

No impairment loss was recognised by the Group during the period under review (2011: approximately HK\$95.0 million) as the recoverable amount, which was determined on the basis of the market price of PNG shares less costs to sell, was higher than 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 realised and unrealised losses of approximately HK\$11.2 million on these held-for-trading investments during the period under review (2011: approximately HK\$57.6 million).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### Liquidity and Gearing

As at 30 September 2012, the Group's total borrowings amounted to approximately HK\$130.0 million (31 March 2012: approximately HK\$140.1 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 9.2% (31 March 2012: approximately 10.1%).

#### Foreign Exchange

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

#### Capital Commitment

As at 30 September 2012, the Group had capital commitment of approximately HK\$2.0 million (31 March 2012: approximately HK\$0.4 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

#### Contingent Liabilities

As at 30 September 2012, the Group had no material contingent liabilities (31 March 2012: Nil).

### EMPLOYEES

As at 30 September 2012, the Group had 726 (31 March 2012: 705) employees, of whom approximately 65% (31 March 2012: approximately 67%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PROSPECTS

The recent global financial instability and economic recession has generally affected the business environment in Hong Kong, with the retail business being the most vulnerable. Whilst the Hong Kong retail business of the Group has fared relatively well, in order to minimise the general adverse effect on our business of the worsening global environment as well as the local government policy, the Group will continue to pay efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Besides, the Group will increase the focus and add more resources to develop other sale channels, such as chain stores, key accounts, open trade, overseas, etc., in order to balance the risk and reliance on retail business. The Group will also make use of the cyber world, such as cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which are expected to be a very effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group'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 achieve lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.



## 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 2012, 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) %
Tang Mui Fun	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	78,214	156,428	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 2012 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 2012, 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 for the six months ended 30 September 2012 were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors 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 2012, to the best knowledge of the directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders (other than directors or chief executive of the Company) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company:

*Long positions in the shares of the Company:*

<b>Name of shareholders</b>	<b>Number of shares</b>	<b>Approximate percentage of the Company's total issued share capital</b> <i>(Note 2)</i> %
Wang On Group Limited (" <b>Wang On</b> ") <i>(Note 1)</i>	509,042,034	25.0
Wang On Enterprises (BVI) Limited (" <b>WOE</b> ") <i>(Note 1)</i>	509,042,034	25.0
Rich Time Strategy Limited (" <b>Rich Time</b> ") <i>(Note 1)</i>	509,042,034	25.0

*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 509,042,034 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 2012 of 2,036,142,969 shares.

Save as disclosed above, as at 30 September 2012, 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 eligible participants who contribute to the success of the Group. During the period under review, no share option was granted, exercised or cancelled.

The movement in the share options under the Scheme during the period under review was as follows:

Name or category of participant	Number of share options				Outstanding as at 30 September 2012	Date of grant	Exercise price per share HK\$	Exercisable period*
	Outstanding as at 1 April 2012	Granted during the period	Exercised during the period	Lapsed or cancelled during the period				
<b>Executive director</b>								
Tang Mui Fun	78,214	-	-	-	78,214	2.1.2008	1.8782	2.1.2009 – 1.1.2013
	78,214	-	-	-	78,214	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	156,428	-	-	-	156,428			
<b>Other employees</b>								
In aggregate	435,597	-	-	(62,572)	373,025	2.1.2008	1.8782	2.1.2009 – 1.1.2013
	611,280	-	-	(62,572)	548,708	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	956,627	-	-	(74,605)	882,022	12.5.2010	0.4321	12.5.2011 – 11.5.2020
	2,003,504	-	-	(199,749)	1,803,755			
<b>Total</b>	<b>2,159,932</b>	<b>-</b>	<b>-</b>	<b>(199,749)</b>	<b>1,960,183</b>			

\* The share options granted under the Scheme were vested as follows:

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



## SHARE OPTION SCHEME (CONTINUED)

As at 30 September 2012, the Company had 1,960,183 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 1,960,183 additional ordinary shares of the Company and additional share capital of HK\$19,601.83 and share premium of HK\$1,964,477.98 (before issue expenses).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the applicable code provisions of the Corporate Governance Code effective from 1 April 2012 set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2012.

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.

### UPDATE ON DIRECTORS' INFORMATION

During the period under review, the changes in information on director(s) since the date of the 2012 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- (a) Mr. Tang has been elected as the president of the 4th Federation of Hong Kong Guangxi Community Organisations Limited on 27 October 2012; and
- (b) Mr. Siu Man Ho, Simon was elected as a China-Appointed Attesting Officer in July 2012.

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2012.

### 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 directors of the Company. Having made specific enquiries of all directors of the Company, the Company confirmed that all directors had complied with the required standards set out in the Model Code adopted by the Company throughout the period under review.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2012 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, 14 November 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) (Restated) HK\$'000
Revenue	3	365,742	330,760
Cost of sales		(205,396)	(179,281)
Gross profit		160,346	151,479
Other income	4	16,183	16,817
Selling and distribution expenses		(114,479)	(98,041)
Administrative expenses		(46,526)	(38,932)
Finance costs	5	(1,251)	(987)
Change in fair value of investments held-for-trading		(11,174)	(57,649)
Change in fair value of investment properties		39,300	16,876
Gain on disposal of subsidiaries		661	–
Impairment losses recognised in respect of an associate		–	(95,026)
Share of results of associates		(4,988)	(22,401)
Profit (loss) before taxation	6	38,072	(127,864)
Income tax expense	7	(4,447)	(4,110)
<b>Profit (loss) for the period</b>		<b>33,625</b>	<b>(131,974)</b>



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2012

	Note	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) (Restated) HK\$'000
<b>Other comprehensive income (expense)</b>			
Exchange differences on translation of foreign operations arising during the period		66	726
Share of other comprehensive (expense) income of an associate		(2,723)	8,313
Other comprehensive (expense) income for the period (net of tax)		(2,657)	9,039
<b>Total comprehensive income (expense) for the period</b>		<b>30,968</b>	<b>(122,935)</b>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		33,683	(132,012)
Non-controlling interests		(58)	38
		<b>33,625</b>	<b>(131,974)</b>
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		31,022	(123,014)
Non-controlling interests		(54)	79
		<b>30,968</b>	<b>(122,935)</b>
<b>Earnings (loss) per share</b>	8		
Basic and diluted (Cents)		1.65	(6.48)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) (Restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	171,203	172,554
Investment properties	10	343,300	304,000
Goodwill		15,335	15,335
Interests in associates	12	364,760	372,471
Other intangible assets		630	732
Loans receivable	13	279,821	221,341
Deferred tax assets		3,696	3,696
		<b>1,178,745</b>	<b>1,090,129</b>
<b>CURRENT ASSETS</b>			
Inventories		160,754	112,760
Trade and other receivables	14	127,754	140,334
Amounts due from associates	15	2,525	2,801
Investments held-for-trading		46,627	58,094
Loans receivable	13	17,569	82,020
Tax recoverable		1,424	3,100
Bank balances and cash		145,424	139,387
		<b>502,077</b>	<b>538,496</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	119,754	90,935
Bank borrowings		66,034	69,008
Deferred franchise income		33	18
Tax payable		7,458	4,950
		<b>193,279</b>	<b>164,911</b>
<b>NET CURRENT ASSETS</b>		<b>308,798</b>	<b>373,585</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,487,543</b>	<b>1,463,714</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2012

	Note	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) (Restated) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		63,948	71,112
Deferred tax liabilities		2,695	2,695
		<b>66,643</b>	73,807
<b>NET ASSETS</b>			
		<b>1,420,900</b>	1,389,907
<b>CAPITAL AND RESERVES</b>			
Share capital	18	20,361	20,361
Reserves		1,392,783	1,361,736
<b>Equity attributable to owners of the Company</b>			
		<b>1,413,144</b>	1,382,097
Non-controlling interests		7,756	7,810
<b>TOTAL EQUITY</b>			
		<b>1,420,900</b>	1,389,907

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	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	Other reserve (Unaudited) HK\$'000 (Note c)	Asset revaluation reserve (Unaudited) HK\$'000	Accumulated profits/losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2011 (audited)	20,361	1,195,767	(27,150)	215,599	1,684	22,764	-	23,392	128,004	1,590,421	7,736	1,598,157
Adjustment (Note 2)	-	-	-	-	-	-	-	4,622	9,340	13,962	-	13,962
At 1 April 2011 (restated)	20,361	1,195,767	(27,150)	215,599	1,684	22,764	-	28,014	137,344	1,594,383	7,736	1,602,119
(Loss) profit for the year (restated)	-	-	-	-	-	-	-	-	(220,638)	(220,638)	79	(220,759)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	934	-	-	-	934	8	942
Share of other comprehensive income of an associate	-	-	-	-	-	15,671	(2,104)	-	-	13,567	-	13,567
Total comprehensive income (expense) for the year	-	-	-	-	-	16,605	(2,104)	-	(220,638)	(206,337)	87	(206,250)
Recognition of share-based payment	-	-	-	-	159	-	-	-	-	159	-	159
Lapse/forfeiture of share options	-	-	-	-	(643)	-	-	-	643	-	-	-
Dividends recognised as distribution	-	-	-	-	-	-	-	-	(6,108)	(6,108)	-	(6,108)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(13)	(13)
At 31 March 2012 (audited and restated)	20,361	1,195,767	(27,150)	215,599	1,200	39,369	(2,104)	28,014	(88,959)	1,382,097	7,810	1,389,907



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

For the six months ended 30 September 2012

	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	Other reserve (Unaudited) HK\$'000 (Note c)	Asset revaluation reserve (Unaudited) HK\$'000	Accumulated profits/ losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2012 (audited)	20,361	1,195,767	(27,150)	215,599	1,200	39,369	(2,104)	23,392	(104,383)	1,382,051	7,810	1,389,861
Adjustment (Note 2)	-	-	-	-	-	-	-	4,622	15,424	20,046	-	20,046
At 1 April 2012 (restated)	20,361	1,195,767	(27,150)	215,599	1,200	39,369	(2,104)	28,014	(88,959)	1,382,097	7,810	1,389,907
Profit (loss) for the year (restated)	-	-	-	-	-	-	-	-	33,683	33,683	(58)	33,625
Exchange differences arising on translation of foreign operations	-	-	-	-	-	62	-	-	-	62	4	66
Share of other comprehensive expense of an associate	-	-	-	-	-	(2,723)	-	-	-	(2,723)	-	(2,723)
Total comprehensive (expense) income for the year	-	-	-	-	-	(2,661)	-	-	33,683	31,022	(54)	30,968
Recognition of share-based payment	-	-	-	-	25	-	-	-	-	25	-	25
Forfeiture share options	-	-	-	-	(123)	-	-	-	123	-	-	-
<b>At 30 September 2012</b>	<b>20,361</b>	<b>1,195,767</b>	<b>(27,150)</b>	<b>215,599</b>	<b>1,102</b>	<b>36,708</b>	<b>(2,104)</b>	<b>28,014</b>	<b>(55,153)</b>	<b>1,413,144</b>	<b>7,756</b>	<b>1,420,900</b>

### 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.
- The other reserve represents the Group's share of other reserve of its associate which in turn of shares the other reserve of its other associate arising from the change in that associate's ownership interest in its subsidiaries that do not result in the loss of control.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Net cash generated from operating activities</b>	5,230	8,236
<b>Net cash generated from (used in) investing activities</b>	12,181	(59,459)
<b>Net cash (used in) from financing activities</b>	(11,389)	12,195
<b>Net Increase (decrease) in cash and cash equivalents</b>	6,022	(39,028)
<b>Cash and cash equivalents at the beginning of the period</b>	139,386	148,504
Effect of foreign exchange rate changes	16	530
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	145,424	110,006



## 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 2012, 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 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Except as described below, 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.

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

**Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets**

Under the amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties (which are all located in Hong Kong) as the Group is not subject to any income tax on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$20,046,000 as at 31 March 2012 with the corresponding adjustment being recognised in accumulated losses and asset revaluation reserve. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 September 2012 and 30 September 2011 being decreased by HK\$6,485,000 and HK\$2,784,000 respectively and hence resulted in the profit for the six months ended 30 September 2012 and the loss for the six months ended 30 September 2011 being increased by HK\$6,485,000 and decreased by HK\$2,784,000 respectively.



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

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Decrease in income tax expense and increase in profit/decrease in loss for the period	<b>6,485</b>	2,784

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2012, is as follows:

	As at		As at
	31 March		31 March
	2012		2012
	(originally stated)	Adjustment	(Restated)
	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	3,696	–	3,696
Deferred tax liabilities	(22,741)	20,046	(2,695)
<b>Total effects on net assets</b>	<b>(19,045)</b>	<b>20,046</b>	<b>1,001</b>
Asset revaluation reserve	23,392	4,622	28,014
Accumulated losses	(104,383)	15,424	(88,959)
<b>Total effects on equity</b>	<b>(80,991)</b>	<b>20,046</b>	<b>(60,945)</b>

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

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Summary of the effect of the above change in accounting policy (Continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 April 2011, is as follows:

	As at 1 April 2011 (originally stated) HK\$'000	Adjustment HK\$'000	As at 1 April 2011 (Restated) HK\$'000
Deferred tax assets	3,514	–	3,514
Deferred tax liabilities	(16,533)	13,962	(2,571)
<b>Total effects on net assets</b>	<b>(13,019)</b>	<b>13,962</b>	<b>943</b>
Asset revaluation reserve	23,392	4,622	28,014
Retained profits	128,004	9,340	137,344
<b>Total effects on equity</b>	<b>151,396</b>	<b>13,962</b>	<b>165,358</b>

#### Impact on basic and diluted earnings (loss) per share

	Six months ended 30 September	
	2012 (Unaudited) HK cents	2011 (Unaudited) HK cents
Basic and diluted earnings (loss) per share before adjustments	1.33	(6.62)
Adjustments arising from change in accounting policy in related to: – application of amendments to HKAS 12 in respect of deferred tax on investment properties	0.32	0.14
<b>Reported basic and diluted earnings (loss) per share</b>	<b>1.65</b>	<b>(6.48)</b>



## 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle <sup>2</sup>
Amendments to HKFRS 1	Government Loans <sup>2</sup>
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015.

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.

### 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:

	<b>For the six months ended 30 September</b>	
	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Sales of goods	360,660	325,898
Rental income from investment properties	4,696	4,415
Management and promotion fees	386	447
	<b>365,742</b>	<b>330,760</b>

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 reportable and 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 reportable and 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
												(Restated)
<b>REVENUE</b>												
External sales	289,099	253,205	61,468	55,440	10,479	17,700	4,696	4,415	-	-	365,742	330,760
Inter segment sales*	-	-	-	-	17,254	29,570	2,508	2,088	(19,762)	(31,658)	-	-
	289,099	253,205	61,468	55,440	27,733	47,270	7,204	6,503	(19,762)	(31,658)	365,742	330,760
Segment results	25,943	22,402	(16,535)	(1,693)	(1,709)	(854)	631	2,220			8,330	22,075
Other income											16,183	16,817
Unallocated expenses											(8,989)	(7,569)
Finance costs											(1,251)	(987)
Change in fair value of investments held-for-trading											(11,174)	(57,649)
Change in fair value of investment properties											39,300	16,876
Gain on disposal of a subsidiary											661	-
Impairment losses recognised in respect of an associate											-	(95,026)
Share of results of associates											(4,988)	(22,401)
Profit (loss) before taxation											38,072	(127,864)
Income tax expense											(4,447)	(4,110)
Profit (loss) for the period											33,625	(131,974)

\* 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Effective interest income on loans receivable	11,639	11,575
Interest income on bank deposits	340	16
Interest income on investments held-for-trading	–	415
Total interest income	11,979	12,006
Dividends from investments held-for-trading	1,367	2,172
Processing fee income	791	867
Sub-lease rental income	1,448	1,248
Sundry income	598	524
	16,183	16,817

5. FINANCE COSTS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	750	201
Bank borrowings not wholly repayable within five years	501	786
	1,251	987



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

### 6. PROFIT (LOSS) BEFORE TAXATION

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Recognition of allowance for trade and other receivables	63	103
Allowance for (reversal of) obsolete inventories	159	(198)
Amortisation of other intangible assets, included in selling and distribution expenses	102	94
Depreciation of property, plant and equipment	7,801	6,428
Management fee paid to a shareholder	60	60
Gross rental income	(4,696)	(4,415)
Less: direct outgoing expenses	81	31
	<b>(4,615)</b>	<b>(4,384)</b>

7. INCOME TAX EXPENSE

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Income tax recognised in profit or loss:		
Current tax		
Hong Kong	4,447	4,026
Other jurisdictions	–	84
	<b>4,447</b>	<b>4,110</b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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



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

### 8. EARNINGS (LOSS) PER SHARE

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

	<b>For the six months ended 30 September</b>	
	<b>2012 (Unaudited)</b>	2011 (Unaudited) (Restated)
	<b>HK\$'000</b>	HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<b>33,683</b>	(132,012)
	<b>Number of shares 2012</b>	Number of shares 2011
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b>2,036,142,969</b>	2,036,142,969

The computations of diluted earnings (loss) per share for the six months ended 30 September 2012 and 2011 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 2012, the Group acquired property, plant and equipment for an amount of approximately HK\$40,224,000 (six months ended 30 September 2011: approximately HK\$34,737,000).

### 10. INVESTMENT PROPERTIES

	<b>HK\$'000</b>
At 1 April 2012	304,000
Change in fair value recognised in profit or loss	39,300
At 30 September 2012	343,300

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

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

### 11. PLEDGED OF ASSETS

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

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
Leasehold land and buildings	142,417	144,449
Investment properties	343,300	304,000
	<b>485,717</b>	448,449



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INTERESTS IN ASSOCIATES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (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	(307,167)	(307,167)
	374,982	374,982
Share of post-acquisition profits and other comprehensive income, net of dividends received	(8,118)	(407)
Share of other reserve	(2,104)	(2,104)
	364,760	372,471
Market value of listed investments	396,639	369,942

## 13. LOANS RECEIVABLE

	Name of borrower (/Note a)	Maturity date	Effective interest rate per annum	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
8% unsecured HK\$190 million loan	PNG	12 November 2013	7.95%	193,822	193,789
8% unsecured HK\$10 million loan (note b)	PNG	9 July 2014	7.43%	10,983	10,583
8% unsecured HK\$15 million loan	PNG	10 August 2013	7.43%	17,569	16,969
				222,374	221,341
10% unsecured HK\$60 million loan (Note c)	China Agri-Products Exchange Limited ("China Agri-Products")	30 September 2014	9.54%	60,013	65,760
10% unsecured HK\$15 million loan (Note c)	China Agri-Products	30 September 2014	9.54%	15,003	16,260
				75,016	82,020
				297,390	303,361
Analysed for reporting purposes as:					
Non-current assets				279,821	221,341
Current assets				17,569	82,020
				297,390	303,361

## Notes:

- (a) China-Agri Products is an 28.22% associate of PNG, In addition, 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.
- (b) On 11 July 2011, the Group and PNG have entered into a supplemental loan agreement, pursuant to which the Group agreed to extend the repayment date under the original loan agreement for three years upon the maturity date from 9 July 2011 to 9 July 2014. Save as amended by the supplemental loan agreement, all other terms and conditions of the loan agreement remain unchanged and effective interest rate recomputed as 7.43%.
- (c) On 6 September 2012, the Group and China Agri-Products have entered into the Amendment Deed, pursuant to which the Group agreed to extend the repayment date under the original loan agreement for two years upon the maturity date from 30 September 2012 to 30 September 2014. Save as interest rate increased from 8% to 10%, all other terms and conditions of the loan agreement remain unchanged and effective interest rate recomputed as 9.54%.



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

### 13. LOANS RECEIVABLE (Continued)

At the end of the reporting period, the loans receivable are neither past due nor impaired. The credit quality of these loans is considered good as the directors assessed that PNG and China Agri-Products could generate sufficient funds from their normal course of business for repayment of the loans upon maturity. There is no significant change in the credit quality during the period.

### 14. TRADE AND OTHER RECEIVABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade receivables	79,214	89,891
Less: accumulated impairment	(3,270)	(3,207)
	75,944	86,684
Rental and other deposits	24,834	21,654
Prepayments	19,526	19,235
Other receivables	22,450	27,761
Less: accumulated impairment	(15,000)	(15,000)
	51,810	53,650
Total trade and other receivables	127,754	140,334

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

### 14. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 60 days to 120 days to its trade customers. The following is an aged analysis of trade receivables (net of impairment loss) presented based on the invoice date at the end of the reporting period:

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
0–30 days	40,102	48,057
31–60 days	12,843	17,638
61–120 days	19,655	16,681
Over 120 days	3,344	4,308
	<b>75,944</b>	86,684

### 15. AMOUNTS DUE FROM ASSOCIATES

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
Trade receivables due from associates	2,525	2,801

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



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

### 15. AMOUNTS DUE FROM ASSOCIATES (Continued)

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 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0–30 days	1,407	1,416
31–60 days	733	696
61–120 days	385	689
	2,525	2,801

### 16. TRADE AND OTHER PAYABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade payables	81,281	45,648
Accrual of salaries and commission	13,546	9,672
Accrual of purchases	–	6,616
Accrual of advertising and promotion	1,339	4,597
Rental deposits received	2,070	2,933
Other payables and accruals	21,518	21,469
	119,754	90,935

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

### 16. TRADE AND OTHER PAYABLES (Continued)

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

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
0–30 days	33,910	22,581
31–60 days	33,610	20,126
61–120 days	11,046	309
Over 120 days	2,715	2,632
	<b>81,281</b>	45,648

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

### 17. BANK BORROWINGS

During the period, the Group do not obtain any new bank loans (31 March 2012: approximately HK\$39,600,000). These loans carry interest at 1.58% to 2.8% (31 March 2012: 1.45% to 2.86%) per annum.

### 18. SHARE CAPITAL

<b>Ordinary shares of HK\$0.01 each</b>	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Authorised:		
At 31 March 2012 and 30 September 2012	60,000,000,000	600,000
Issued and fully paid:		
At 31 March 2012 and 30 September 2012	2,036,142,969	20,361



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

### 18. SHARE CAPITAL (Continued)

#### Share options

Details of the Company's share option scheme are set out in the Section "Share Option Scheme" of the interim report 2012.

### 19. DISPOSAL OF SUBSIDIARIES

On 28 August 2012, the Group disposed of its entire interests in Source Millennium Limited and Geswin Limited at a cash consideration of HK\$730,000.

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

	30 September 2012 Unaudited HK\$'000
Net assets disposed of:	
Trade and other receivables	54
Bank balances & cash	15
Amounts due to the Group	(436,079)
	(436,010)
Waiver of amounts due from the Group	436,079
Gain on disposal	661
Total consideration	730
Net cash inflow arising on disposal:	
Cash consideration	730
Bank balances and cash disposed of	(15)
	715

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

### 20. CAPITAL COMMITMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (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	1,993	376
	1,993	376

### 21. OPERATING LEASES

#### The Group as lessee:

The Group made minimum lease payments of approximately HK\$34,809,000 (2011: approximately HK\$36,442,000) 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 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within one year	69,940	66,298
In the second to fifth years inclusive	99,531	113,662
	169,471	179,960

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\$7,800,000 (2011: approximately HK\$8,196,000).



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

### 21. OPERATING LEASES (Continued)

#### The Group as lessor:

Property rental income and sub-lease income earning during the period were approximately HK\$4,696,000 (2011: HK\$4,415,000) and HK\$1,448,000 (2011: approximately HK\$1,248,000), respectively. The properties are expected to generate rental yields of 2.7% (2011: 3.3%) 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 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within one year	8,700	9,599
In the second to fifth year inclusive	4,004	2,302
	<b>12,704</b>	11,901

## 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	
		2012 HK\$'000	2011 HK\$'000
(i) Wang On and its subsidiaries	Rental received by the Group	954	912
	Rental paid by the Group	1,245	1,245
	Management fee paid by the Group	60	60
	Sales of Chinese pharmaceutical products by the Group	828	3,220
(ii) China Agri-Products	Rental received by the Group	173	158
	Sales of Chinese pharmaceutical products by the Group	5,953	3,372
	Effective interest income on loans received by the Group	3,018	2,887
(iii) Associates	Sales of Chinese pharmaceutical products by the Group	8,425	9,100
	Rental received by the Group	665	621
	Effective interest income on loans received by the Group	8,621	8,688
	Management and promotion fees received by the Group	386	447

*Note:* As at 30 September 2012, Rich Time, a subsidiary of Wang On held 25% (2011: 9.15%) shareholding in the Company and is a substantial shareholder of the Company.



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

### 22. RELATED PARTY DISCLOSURES (Continued)

#### Compensation of key management personnel

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

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Short-term benefits	2,130	1,929
Post-employment benefits	32	30
Share-based payment	–	4
	<b>2,162</b>	<b>1,963</b>

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

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

### 23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved by the Board on 14 November 2012.