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WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Revenue	3	529,305	496,151
Cost of sales		(276,932)	(267,478)
Gross profit		252,373	228,673
Other income	5	19,943	16,602
Selling and distribution expenses		(162,526)	(153,494)
Administrative expenses		(79,460)	(97,788)
Finance costs	6	(2,354)	(6,036)
Gain on early redemption of an unlisted note		10,342	—
Change in fair value of options embedded in an unlisted note		(31,293)	(252,827)
Change in fair value of investments held-for-trading		9,181	(11,618)
Discount on acquisition of a subsidiary		—	691
Gain on disposal of a subsidiary		—	2,636
Impairment losses recognised in respect of goodwill		(237)	(10,382)
Share of results of associates		31,938	(62,221)

* For identification purpose only

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) before taxation	7	47,907	(345,764)
Income tax expense	8	<u>(2,876)</u>	<u>(178)</u>
Profit (loss) for the year		<u>45,031</u>	<u>(345,942)</u>
Other comprehensive income (expense)			
Exchange differences on translation of foreign operations arising during the year		869	(855)
Reclassification adjustment on disposal of a subsidiary		—	(457)
Share of other comprehensive income of an associate		<u>11,700</u>	<u>1,715</u>
Other comprehensive income for the year		<u>12,569</u>	<u>403</u>
Total comprehensive income (expense) for the year		<u>57,600</u>	<u>(345,539)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		45,797	(345,906)
Minority interests		<u>(766)</u>	<u>(36)</u>
		<u>45,031</u>	<u>(345,942)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		58,326	(345,622)
Minority interests		<u>(726)</u>	<u>83</u>
		<u>57,600</u>	<u>(345,539)</u>
Earnings (loss) per share	9		
- Basic and diluted		<u>1.24 cents</u>	<u>(17.59 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		27,167	58,406
Prepaid lease payments		90,004	93,562
Goodwill		15,335	15,335
Interests in associates		608,966	148,058
Derivative financial instruments		—	35,648
Other intangible assets		839	3,749
Investment in an unlisted note		—	172,682
Loans to an associate		204,307	—
Deferred tax assets		3,291	378
		<u>949,909</u>	<u>527,818</u>
CURRENT ASSETS			
Inventories		71,105	80,751
Trade and other receivables	10	68,963	75,393
Prepaid lease payments		2,500	2,774
Amounts due from associates		1,668	3,385
Investments held-for-trading		25,449	3,889
Tax recoverable		232	2,014
Bank balances and cash		78,259	57,096
		<u>248,176</u>	<u>225,302</u>
Assets classified as held for sale		38,816	—
		<u>286,992</u>	<u>225,302</u>
CURRENT LIABILITIES			
Trade and other payables	11	62,661	60,214
Obligations under finance leases		—	9
Bank borrowings		11,953	16,202
Deferred franchise income		18	98
Deposit received for disposal of a subsidiary		5,000	—
Loans from a shareholder		—	25,000
Advances from minority shareholders of a subsidiary		—	3,396
Tax payable		4,439	1,360
		<u>84,071</u>	<u>106,279</u>
Liabilities associated with assets classified as held for sale		11,013	—
		<u>95,084</u>	<u>106,279</u>

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
NET CURRENT ASSETS	<u>191,908</u>	<u>119,023</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,141,817</u>	<u>646,841</u>
NON-CURRENT LIABILITIES		
Bank borrowings	36,500	47,182
Deferred tax liabilities	<u>248</u>	<u>110</u>
	<u>36,748</u>	<u>47,292</u>
NET ASSETS	<u>1,105,069</u>	<u>599,549</u>
CAPITAL AND RESERVES		
Share capital	60,719	20,104
Reserves	<u>1,038,269</u>	<u>572,632</u>
Equity attributable to owners of the Company	1,098,988	592,736
Minority interests	<u>6,081</u>	<u>6,813</u>
TOTAL EQUITY	<u>1,105,069</u>	<u>599,549</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that expand the disclosures required and has not resulted in a redesignation of the Group's reportable segments (see note 4) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the reported results and/or financial position

HK(IFRIC) - Int 13 Customer Loyalty Programmes

The adoption of HK(IFRIC) - Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty programme. The Group's Loyalty Points Redemption Program was launched in October 2008, operated for the benefit of its retailing customers, falls within the scope of HK(IFRIC) - Int 13. Under the Loyalty Points Redemption Program, retailing customers, on purchasing the Group's pharmaceutical and health food products, are entitled to receive loyalty points that can be used as discounts on future purchases. HK(IFRIC) - Int 13 requires such transactions to be accounted for as multiple element revenue transactions and that the consideration received in the initial sale transaction should be allocated between the sale of products and the loyalty points earned by the customer in that transaction. The consideration allocated to loyalty points is measured by reference to the fair value of discounts on future purchases.

This change in accounting policy has been applied retrospectively and has no impact on financial position as at 1 April 2008. Results for the year ended 31 March 2009 and financial position as at 31 March 2009 have not been restated as the impact is insignificant. Revenue for the year ended 31 March 2010 has been reduced by HK\$1,232,000 and the income tax expense for the year ended 31 March 2010 has been decreased by HK\$203,000. Profit for the year ended 31 March 2010 has therefore been decreased by HK\$1,029,000 as a result of the new policy. At 31 March 2010, revenue deferred in relation to the Loyalty Points Redemption Program amounts to approximately HK\$1,232,000.

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

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁸
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

⁸ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

In addition, as part of *Improvements to HKFRSs (2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. REVENUE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of goods	528,132	494,852
Management and promotion fees	<u>1,173</u>	<u>1,299</u>
	<u>529,305</u>	<u>496,151</u>

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments and segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions. Information reported to the chief operating decision maker (i.e. board of directors of the Company) is the same as the primary reporting format in the past. Thus, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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 People's Republic of China (the "PRC") and Hong Kong;
- (b) production and sale of Western pharmaceutical and health food products - processing and sale of Western pharmaceutical products under the brand name of "Madame Pearl's" and "Pearl's"; and
- (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.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

4. SEGMENT INFORMATION — continued

Segment revenues and results

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

	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		Elimination		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
REVENUE										
External sales	372,429	333,627	135,305	126,744	21,571	35,780	—	—	529,305	496,151
Inter segment sales *	2,640	2,640	820	—	32,904	20,996	(36,364)	(23,636)	—	—
	<u>375,069</u>	<u>336,267</u>	<u>136,125</u>	<u>126,744</u>	<u>54,475</u>	<u>56,776</u>	<u>(36,364)</u>	<u>(23,636)</u>	<u>529,305</u>	<u>496,151</u>
RESULTS										
Results, excluding impairment losses recognised in respect of goodwill	18,408	(12,694)	15,368	12,372	(1,895)	2,144			31,881	1,822
Impairment losses recognised in respect of goodwill	(237)	(4,717)	—	(5,665)	—	—			(237)	(10,382)
Segment results	<u>18,171</u>	<u>(17,411)</u>	<u>15,368</u>	<u>6,707</u>	<u>(1,895)</u>	<u>2,144</u>			<u>31,644</u>	<u>(8,560)</u>
Other income									19,943	16,602
Unallocated expenses									(21,494)	(24,431)
Finance costs									(2,354)	(6,036)
Gain on early redemption of an unlisted note									10,342	—
Change in fair value of options embedded in an unlisted note									(31,293)	(252,827)
Change in fair value of investments held-for-trading									9,181	(11,618)
Discount on acquisition of a subsidiary									—	691
Gain on disposal of a subsidiary									—	2,636
Share of results of associates									<u>31,938</u>	<u>(62,221)</u>
Profit (loss) before taxation									<u>47,907</u>	<u>(345,764)</u>

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

4. SEGMENT INFORMATION — continued

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit/loss earned by each segment without allocation of other income, central administration costs, finance costs, gain on early redemption of an unlisted note, change in fair value of options embedded in an unlisted note, change in fair value of investments held-for-trading, discount on acquisition of a subsidiary, gain on disposal of a subsidiary and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	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		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES								
ASSETS								
Assets excluding goodwill	200,624	213,930	69,191	69,565	16,666	20,232	286,481	303,727
Goodwill	7,700	7,700	7,635	7,635	—	—	15,335	15,335
Segment assets	<u>208,324</u>	<u>221,630</u>	<u>76,826</u>	<u>77,200</u>	<u>16,666</u>	<u>20,232</u>	<u>301,816</u>	319,062
Interests in associates							608,966	148,058
Investment in an unlisted note							—	172,682
Derivative financial instruments							—	35,648
Loans to an associate							204,307	—
Investments held-for-trading							25,449	3,889
Tax recoverable							232	2,014
Deferred tax assets							3,291	378
Bank balances and cash							78,259	57,096
Unallocated assets							<u>14,581</u>	<u>14,293</u>
Consolidated total assets							<u>1,236,901</u>	<u>753,120</u>

4. SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

	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		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES								
Segment liabilities	39,428	36,164	19,858	12,085	7,751	5,418	67,037	53,667
Bank borrowings							48,624	63,384
Loans from a shareholder							—	25,000
Tax payable							4,439	1,360
Deferred tax liabilities							248	110
Deposit received for disposal of a subsidiary							5,000	—
Advances from minority shareholders of a subsidiary							3,314	3,396
Unallocated liabilities							<u>3,170</u>	<u>6,654</u>
Consolidated total liabilities							<u>131,832</u>	<u>153,571</u>

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

- all assets are allocated to operating segments other than interests in associates, investment in an unlisted note, derivative financial instruments, loans to an associate, investments held-for-trading, tax recoverable, deferred tax assets, bank balances and cash and unallocated assets representing property, plant and equipment and deposits, prepayment and other receivables of investment holding companies.
- all liabilities are allocated to operating segments other than bank borrowings, loans from a shareholder, current and deferred tax liabilities, advances from minority shareholders of a subsidiary, deposit received for disposal of a subsidiary and unallocated liabilities representing other payables of investment holding companies.

4. SEGMENT INFORMATION — continued

Other segment information

	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		Unallocated		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Amounts included in the measure of segment profit or loss or segment assets:

Additions to non-current assets (Note)	3,246	5,638	1,843	3,479	151	4,612	702	5,058	5,942	18,787
Depreciation of property, plant and equipment	8,113	10,952	2,693	3,339	1,182	911	2,071	1,785	14,059	16,987
Amortisation of other intangible assets	176	170	633	760	—	—	—	—	809	930
Amortisation of prepaid lease payments	2,500	2,500	229	274	—	—	—	—	2,729	2,774
(Reversal) recognition of allowance for trade and other receivables	(85)	12,947	(59)	(498)	38	(534)	—	—	(106)	11,915
(Reversal of) allowance for obsolete inventories	(329)	(399)	—	(245)	411	(584)	—	—	82	(1,228)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets.

Finance costs	1,223	2,190	342	563	77	199	712	3,084	2,354	6,036
Interest income	12	41	24	22	1	—	12,499	10,649	12,536	10,712

Note: Non-current assets included additions to goodwill, property, plant and equipment, other intangible assets and prepaid lease payments.

4. SEGMENT INFORMATION — continued

Geographical information

The Group's operations are carried out in Hong Kong (country of domicile), other regions in the PRC and Singapore.

The following is an analysis of the Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets:

	Revenue from		Non-current assets	
	external customers			
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	368,601	334,570	736,961	285,076
The PRC, other than Hong Kong	127,641	115,296	855	28,855
Singapore	14,907	27,586	4,075	4,725
Others	18,156	18,699	420	454
	<u>529,305</u>	<u>496,151</u>	<u>742,311</u>	<u>319,110</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. OTHER INCOME

	2010	2009
	HK\$'000	HK\$'000
Effective interest income on investment in an unlisted note due from an associate	6,150	10,019
Effective interest income on loans to an associate	6,348	66
Interest income on bank deposits	38	482
Interest income on investment in unlisted notes from financial institutions	—	145
Total interest income	12,536	10,712
Dividends from investments held-for-trading	253	650
Exchange gain, net	657	282
Franchise income	170	115
Processing fee income	1,101	908
Rental income	3,061	2,477
Sundry income	2,165	1,458
	<u>19,943</u>	<u>16,602</u>

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on:		
Advances from minority shareholders of a subsidiary	224	196
Bank borrowings wholly repayable within five years	1,400	1,643
Bank borrowings not wholly repayable within five years	—	1,094
Effective interest expense on convertible loan note	—	2,628
Loans from a shareholder	712	456
Obligations under finance leases	2	2
Others	16	17
	<u>2,354</u>	<u>6,036</u>

7. PROFIT (LOSS) BEFORE TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' remuneration	3,800	4,059
Other staff costs		
- Salaries and other benefits	80,886	82,493
- Share-based payments excluding directors	539	706
- Retirement benefit scheme contributions other than directors	5,923	6,327
Total staff costs	<u>91,148</u>	<u>93,585</u>
(Reversal) recognition of allowance for trade and other receivables	(106)	11,915
Amortisation of other intangible assets, included in selling and distribution expenses	809	930
Amortisation of prepaid lease payments	2,729	2,774
Auditor's remuneration		
- Current year	2,062	2,346
- Overprovision in prior year	(588)	—
	<u>1,474</u>	<u>2,346</u>
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK\$82,000 (2009: reversal of allowance for obsolete inventories of HK\$1,228,000 (Note)))	276,932	267,478
Depreciation of property, plant and equipment	14,059	16,987
Loss on disposal of property, plant and equipment	7	58
Management fee paid to a shareholder	996	996
Research and development expenses	<u>1,234</u>	<u>1,441</u>

Note: Reversal of allowance for obsolete inventories was recognised as such inventories were sold during the year.

8. INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	5,703	1,499
Other jurisdictions	<u>194</u>	<u>384</u>
	<u>5,897</u>	<u>1,883</u>
Under(over)provision in prior years		
Hong Kong	70	(705)
Other jurisdictions	<u>(311)</u>	<u>—</u>
	<u>(241)</u>	<u>(705)</u>
Deferred taxation		
Current year	(2,780)	(960)
Attributable to a change in tax rate	<u>—</u>	<u>(40)</u>
	<u>(2,780)</u>	<u>(1,000)</u>
	<u><u>2,876</u></u>	<u><u>178</u></u>

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

Singapore Income Tax is calculated at 17% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Enterprise Income Tax (“EIT”) rate of one of the Group’s subsidiaries established in the PRC is 25% from 1 January 2008 onwards. In addition, the EIT rate of two of the Group’s subsidiaries established in the PRC increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group’s subsidiaries in the PRC range from 20% to 25% (2009: 18% to 25%).

A PRC subsidiary was exempted from the PRC income tax for profits incurred for the year ended 31 December 2008, followed by a 50% reduction for profits incurred between 1 January 2009 to 31 December 2011 as approved by the PRC tax bureau. PRC income tax of this PRC subsidiary is calculated at 12.5% of the estimated profit for the year.

No provision for the PRC income tax has been made for the other two PRC subsidiaries in the consolidated financial statements as the assessable profits are wholly absorbed by tax losses brought forward.

8. INCOME TAX EXPENSE — continued

The tax charge for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) before taxation	<u>47,907</u>	<u>(345,764)</u>
Tax at the domestic income tax rate of 16.5%	7,905	(57,051)
Tax effect of share of results of associates	(5,270)	10,266
Tax effect of expenses not deductible for tax purpose	7,090	47,210
Tax effect of income not taxable for tax purpose	(3,956)	(2,612)
Tax effect of tax losses not recognised	440	2,631
Overprovision in prior years	(241)	(705)
Utilisation of tax losses previously not recognised	(331)	(76)
Utilisation of deductible temporary differences previously not recognised	(2,389)	—
Tax effect of deductible temporary differences not recognised	466	1,441
Effect of tax concession granted to a PRC subsidiary	(3)	(349)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(715)	(709)
Effect of change in tax rate	—	(40)
Others	<u>(120)</u>	<u>172</u>
Income tax expense for the year	<u>2,876</u>	<u>178</u>

9. EARNINGS (LOSS) PER SHARE

For the year ended 31 March 2010, the calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>45,797</u>	<u>(345,906)</u>
	Number of shares 2010	Number of shares 2009
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>3,697,556,414</u>	<u>1,966,296,367</u>

The computations of diluted earnings (loss) per share does not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company for both years, nor the conversion of the outstanding unlisted note due from an associate since their assumed exercise would result in an increase in earnings per share (2009: decrease in loss per share).

10. TRADE AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	61,777	60,130
Less: accumulated impairment	<u>(16,690)</u>	<u>(16,792)</u>
	45,087	43,338
Less: Amounts classified as assets held for sale	<u>(3,315)</u>	<u>—</u>
	<u>41,772</u>	<u>43,338</u>
Deposits, prepayments and other receivables	31,343	35,055
Less: accumulated impairment	<u>(3,000)</u>	<u>(3,000)</u>
	28,343	32,055
Less: Amounts classified as assets held for sale	<u>(1,152)</u>	<u>—</u>
	<u>27,191</u>	<u>32,055</u>
Total trade and other receivables	<u><u>68,963</u></u>	<u><u>75,393</u></u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 - 30 days	19,472	18,650
31 - 60 days	12,148	14,844
61 - 120 days	9,993	7,415
Over 120 days	<u>3,474</u>	<u>2,429</u>
	<u><u>45,087</u></u>	<u><u>43,338</u></u>

11. TRADE AND OTHER PAYABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables	27,963	25,762
Other payables	<u>42,226</u>	<u>34,452</u>
	70,189	60,214
Less: Amounts classified as liabilities associated with assets classified as held for sale	<u>(7,528)</u>	<u>—</u>
	<u><u>62,661</u></u>	<u><u>60,214</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the financial year ended 31 March 2010, the Group recorded a turnover and a profit attributable to equity owners of the Company of approximately HK\$529.3 million (2009: approximately HK\$496.2 million) and approximately HK\$45.8 million (2009: loss attributable to equity owners of approximately HK\$345.9 million), respectively. The profit was mainly attributable to the share of profit of an associate, namely LeRoi Holdings Limited (“LeRoi”) of approximately HK\$31.8 million. Basic earnings per share was approximately HK1.24 cents (2009: basic loss per share of approximately HK17.59 cents).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the financial year ended 31 March 2010 (2009: Nil). No interim dividend was paid during the year (2009: Nil).

BUSINESS REVIEW

The Group’s operating results for the previous year were negatively affected by the 2008 financial tsunami. With the economic revival in the second half of 2009, the Group’s operating results reported some growth during the year under review.

(1) Chinese Pharmaceutical Products

Turnover for the year increased by approximately 11.6% from approximately HK\$333.6 million to approximately HK\$372.4 million. This achievement was the result of our customers’ confidence and trust in the quality of our products, the expansion of our product range as well as the management’s and staff’s commitment and conscientious efforts to control costs at all levels. The number of Mainland Chinese tourists visiting Hong Kong had also a positive effect on the Group’s retail business. In addition, the Group continued to place efforts in different marketing and brand reinforcement activities, such as joint marketing promotion with the famous brand “Rejoice”, which were aimed at driving sales and raising public awareness of our “Wai Yuen Tong” brand.

(2) Western Pharmaceutical Products

Turnover grew approximately 6.8% from approximately HK\$126.7 million to approximately HK\$135.3 million. The brand position of “Madame Pearl’s” as the “Respiratory Specialist” was strengthened after the Group successfully launched the Madame Pearl’s BreathEasy Patch and Mucolytic series last year. According to the research carried out by The Nielsen Company, Madame Pearl’s “Ranked first in sales value of the cough syrup category in Hong Kong in 2009”. Personal care products, such as the MosquitOut series, under the secondary brand “Pearl’s” of this division were launched during the year which were well received by the market. With the co-brands “Madame Pearl’s” and “Pearl’s”, the Group has diversified its product portfolio which has synergetic effects on its business as a whole.

In December 2009, the Group agreed to dispose of 64.2% equity interest in Hunan Xiangya Pharmaceutical Company Limited (“Hunan Xiangya”) for a cash consideration of approximately HK\$37.4 million. Hunan Xiangya is engaged in the production and sale of Western pharmaceutical products in the PRC. The disposal enabled the Group to realise its investment in Hunan Xiangya and focus its resources on the development of other products.

(3) Bottled Birds’ Nest Drinks Products

The Group’s business of the manufacture of bottled birds’ nest products is operated through the Group’s production arm, namely CNT Health Food Pte Limited in Singapore. During the year, like most companies in the manufacturing industry, the Group was hard bit by the financial tsunami. Turnover decreased by approximately 39.7% from approximately HK\$35.8 million to approximately HK\$21.6 million. Besides the existing bottled birds’ nest drinks and herbal essence products, the Group is exploring the possibility of diversifying its product range and expanding its business into Mainland China and overseas Chinese communities.

(4) Investment in LeRoi

In October 2007, the Group subscribed for an unlisted note issued by LeRoi with a principal amount of HK\$190.0 million which may be convertible into 1,583,333,333 shares of LeRoi at an initial conversion price of HK\$0.12 per share (subject to adjustment) (the “LeRoi Note”). On 13 November 2009, the Group granted a loan of HK\$190.0 million to LeRoi for a term of four years which was applied towards early redemption of the LeRoi Note in full. The loan is unsecured and carries interest at a rate of 8% per annum.

On 18 November 2009, the Company completed the acquisition of 1,463,835,000 shares in the capital of LeRoi from independent third parties and in return issued 3,659,587,500 consideration shares of HK\$0.01 each in the Company pursuant to a partial share exchange offer made by a wholly-owned subsidiary of the Company, details of which were set out in the announcement and the composite document jointly issued by the Company and LeRoi on 19 August 2009 and 9 October 2009, respectively. Upon completion of the aforesaid transaction in November 2009, the Company increased its shareholding interest in LeRoi from 29.97% to 49.00%. LeRoi is a company listed on the Stock Exchange and is principally engaged in forestry and logging operation, property development in the PRC, retailing of the fresh pork meat and related products. The Group shared the profit of LeRoi of approximately HK\$31.8 million for the year as compared to the share of loss of approximately HK\$62.1 million for the previous year.

FINANCIAL REVIEW

Fund Raising, Capital Structure, Liquidity and Gearing

(1) Top-up Placing and Placing of New shares

On 11 May 2009, the Company entered into (i) a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, 165 million shares to independent investors at a price of HK\$0.088 per share; and (ii) a new placing agreement with the placing agent to place, on a best effort basis, 237 million shares to independent investors also at a price of HK\$0.088 per share. Aggregate net proceeds of approximately HK\$33.8 million were raised for repayment of interest-bearing debts and general working capital requirements of the Group. The aforesaid transactions were completed on 21 May 2009 and 26 May 2009, respectively.

(2) Partial Share Exchange Offer

On 18 November 2009, the Company completed the acquisition of an additional 1,463,835,000 shares in the capital of LeRoi from independent third parties and in return issued 3,659,587,500 consideration shares of HK\$0.01 each in the Company pursuant to a partial share exchange offer made by a wholly-owned subsidiary of the Company, details of which were set out in the announcement and composite document jointly issued by the Company and LeRoi on 19 August 2009 and 9 October 2009, respectively.

(3) Placing of New Shares

Subsequent to the end of the year under review, on 12 April 2010, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, up to 1,200 million shares to independent investors at a price of HK\$0.053 per share. The placing of new shares was completed on 22 April 2010 and 1,200 million shares were placed. Aggregate net proceeds of approximately HK\$61.5 million were raised which were intended to be applied towards the repayment of interest-bearing debts, expansion of the Group's Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises for use by the retail network) and general working capital requirements of the Group.

(4) Liquidity and Gearing

As at 31 March 2010, the Group's total borrowings (including those classified as part of a disposal group held for sale) amounted to approximately HK\$51.9 million (2009: approximately HK\$91.8 million) which included bank borrowings of approximately HK\$48.6 million (2009: approximately HK\$63.4 million), loan from a shareholder of HK\$ nil (2009: approximately HK\$25.0 million) and advances from minority shareholders of a subsidiary of approximately HK\$3.3 million (2009: approximately HK\$3.4 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 4.7% (2009: approximately 15.5%).

FOREIGN EXCHANGE

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

EMPLOYEES

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

PROSPECTS

As the global economy is gradually recovering and the business environment is improving, the Group is cautiously optimistic about its prospects.

The Group will continue to focus on the reinforcement of its brand positioning, continuing product development, expanding distribution network and upholding quality management in order to achieve sustainable growth and profitability. The Group will also evaluate mergers and acquisitions as a means to speed up growth as well as restructuring and consolidating its business operations, with the aim of strengthening its competitive position and expanding its scope of business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the financial year ended 31 March 2010. Further details of the Company's corporate governance practices are set out in corporate governance report to be contained in the Company's 2010 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all directors, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the financial year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with management and the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements and reports for the year ended 31 March 2010. The Audit Committee comprises Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive directors of the Company, and Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The 2010 annual general meeting of the shareholders of the Company will be held at Garden Rooms A & B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 18 August 2010 at 10:45 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rule in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange at (<http://www.hkex.com.hk>) and the Company at (<http://www.wyth.net>). The 2010 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 5 July 2010

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

** For identification purpose only*