THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Wai Yuen Tong Medicine Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is not an offer of, nor is it intended to invite offers for, securities of WYT.

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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)

(1) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND CAPITAL REDUCTION; (2) CHANGE IN BOARD LOT SIZE; (3) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AND TIME AT HK$0.207 PER RIGHTS SHARE (WITH THE BONUS ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE); (4) MAJOR TRANSACTION - ACQUISITION OF THE ENTIRE INTERESTS OF FIVE COMPANIES AND ENTERING INTO A DEED OF GUARANTEE; AND (5) NOTICE OF THE SGM

Underwriter of the Rights Issue

KINGSTON SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Nuada Limited
Corporate Finance Advisory

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 28 September 2010. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 8 October 2010 to Friday, 15 October 2010 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Friday, 8 October 2010 to Friday, 15 October 2010 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Nuada, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 53 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 40 to 41 of this circular.

A notice convening a special general meeting of WYT to be held at 11/F., Two Exchange Square, Central, Hong Kong at 11:30 a.m. on Tuesday, 21 September 2010 is set out on pages N-1 to N-5 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to WYT at any time prior to 4:00 p.m. on the Latest Time For Termination to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 25 to 26 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 26 to 28 of this circular being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter (but not the underwriting commission) shall to the extent agreed by WYT be borne by WYT and the Rights Issue will not proceed.

* *For identification purposes only*

27 August 2010

CONTENTS

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:

Event	**Timeline**
Latest time for lodging proxy forms for the SGM	11:30 a.m. on Sunday, 19 September 2010
Expected date and time of the SGM	11:30. a.m. on Tuesday, 21 September 2010
Announcement of results of the SGM	Tuesday, 21 September 2010
Effective date and time of the Capital Reorganisation	5:00 p.m. on Tuesday, 21 September 2010
Commencement of dealings in the Adjusted Shares	9:30 a.m. on Wednesday, 22 September 2010
Original counter for trading in Shares in existing share certificates in board lots of 6,000 Shares temporarily closes	9:30 a.m. on Wednesday, 22 September 2010
Temporary counter for trading in the Adjusted Shares in board lots of 240 Adjusted Shares (in the form of existing share certificates) opens	9:30 a.m. on Wednesday, 22 September 2010
First day of free exchange of existing certificates for the Shares (in board lots of 6,000 Shares) into new certificates for the Adjusted Shares (in board lots of 10,000 Adjusted Shares)	Wednesday, 22 September 2010
Last day of dealings in Shares on a cum-rights basis	Monday, 27 September 2010
First day of dealings in Shares on an ex-rights basis	Tuesday, 28 September 2010
Latest time for Shareholders to lodge transfers of Shares in order to qualify for the Rights Issue (with the Bonus Issue)	4:30 p.m. on Wednesday, 29 September 2010
Closure of register of members of WYT (both days inclusive)	Thursday, 30 September to Tuesday, 5 October 2010
Record Date and Time	5:30 p.m. on Tuesday, 5 October 2010

Event	Timeline
Register of members re-opens	Wednesday, 6 October 2010
Despatch of the Prospectus Documents by ordinary post	Wednesday, 6 October 2010
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of the Adjusted Shares	9:30 a.m. on Friday, 8 October 2010
Original counter for trading in the Adjusted Shares in board lots of 10,000 Adjusted Shares (only new certificates for the Adjusted Shares in board lots of 10,000 Adjusted Shares can be traded at this counter) re-opens	9:30 a.m. on Friday, 8 October 2010
Parallel trading in the Adjusted Shares (in the form of both existing certificates in board lots of 6,000 Shares and new certificates in board lots of 10,000 Adjusted Shares) commences	9:30 a.m. on Friday, 8 October 2010
First day of dealings in nil-paid Rights Shares	Friday, 8 October 2010
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 12 October 2010
Last day of dealings in nil-paid Rights Shares	Friday, 15 October 2010
Latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Issue) and the applications for excess Rights Shares (with Bonus Issue)	4:00p.m. on Wednesday, 20 October 2010
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 25 October 2010
Announcement of results of the Rights Issue	Tuesday, 26 October 2010
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Wednesday, 27 October 2010
Certificates for fully paid Rights Shares and Bonus Shares to be despatched on or before	Wednesday, 27 October 2010

Event	Timeline
Temporary counter for trading in the Adjusted Shares in board lots of 240 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Thursday, 28 October 2010
Parallel trading in the Adjusted Shares (represented by both existing certificates in board lots of 6,000 Shares and new certificates in board lots of 10,000 Adjusted Shares) ends	4:00 p.m. on Thursday, 28 October 2010
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on Thursday, 28 October 2010
Commencement of dealings in fully-paid Rights Shares	9:30 a.m. on Friday, 29 October 2010
Last day of free exchange of existing certificates for the Shares (in board lots of 6,000 Shares) for the new certificates for the Adjusted Shares (in board lots of 10,000 Adjusted Shares)	Monday, 1 November 2010

Note: All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between WYT and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time For Acceptance will not take place if there is:

(i) a tropical cyclone warning signal number 8 or above, or

(ii) a "black" rainstorm warning

(a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time For Acceptance. Instead the Latest Time For Acceptance will be extended to 5:00 p.m. on the same Business Day; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time For Acceptance. Instead the Latest Time For Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time For Acceptance does not take place, the dates mentioned in this section may be affected. An announcement will be made by WYT in such event.

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital of the Target Companies by Guidepost from East Run pursuant to the Sale and Purchase Agreement and the Deed of Guarantee
"Adjusted Shares"	the ordinary shares of HK$0.01 each in the capital of WYT upon the Capital Reorganisation becoming effective
"Affiliate"	means in relation to East Run or Guidepost (as the case may be), any company which is directly or indirectly controlled by, or under common control with, or in control of East Run or Guidepost (as the case may be); the term "control" meaning the ownership of fifty percent (50%) or more of the voting shares or the registered capital of a company, or the power to appoint or elect a majority of the directors or the power to direct the management of a company
"Announcement"	the announcement of WYT dated 9 August 2010 in relation to, among others, the Capital Reorganisation, change in board lot size, proposed Rights Issue with Bonus Issue and the Acquisition
"associates"	has the meaning ascribed thereto under the Listing Rules
"Bonus Issue"	the issue of the Bonus Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents
"Bonus Shares"	the bonus Adjusted Shares to be issued (for no additional payment) to the First Registered Holders of Rights Shares on the basis of one (1) bonus Adjusted Share for every five (5) Rights Shares taken up under the Rights Issue subject to the terms and upon the conditions as set out in the Underwriting Agreement and the Prospectus Documents
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of WYT

"Capital Reduction"	the proposed reduction of WYT's issued share capital whereby (i) the par value of all the issued Consolidated Shares shall be reduced from HK$0.25 each to HK$0.01 each and the issued share capital of WYT shall accordingly be cancelled to the extent of HK$0.24 per Consolidated Share in issue and (ii) any fractional Consolidated Shares in the issued share capital of WYT arising from the Share Consolidation shall be reduced and cancelled
"Capital Reorganisation"	the proposed reorganisation of WYT's issued share capital which comprises: (1) Share Consolidation; (2) Capital Reduction; and (3) transfer of any credit arising from the Capital Reduction, which will be applied to set off the accumulated loss of WYT
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	Companies Act 1981 of Bermuda
"Completion Accounts"	the accounts of the Target Companies for the period from 1 April 2010 to the Completion Date, which will be prepared and delivered to Guidepost by accountants duly appointed by Guidepost within one (1) month after the Completion Date
"Completion Date"	the date of completion of the Acquisition, which will be the third Business Day following the satisfaction of all the conditions precedent of the Acquisition as set out in the Sale and Purchase Agreement
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Shares"	the ordinary shares of HK$0.25 each in the issued share capital of WYT immediately upon the Share Consolidation becoming effective
"Current Financial Statements"	the combined balance sheet as at 30 June 2010 and the income statement for the period ended 30 June 2010 of the Target Companies
"Deed of Guarantee"	the deed of guarantee duly executed by Wang On, East Run and Guidepost on 9 August 2010 relating to the Sale and Purchase Agreement
"EAF(s)"	excess application form(s) for the Untaken Shares

"East Run"	East Run Investments Limited, a company incorporated under the laws of the BVI with limited liability whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI (BVI company number: 1474764), which is a wholly-owned subsidiary of Wang On
"Enlarged WYT Group"	the WYT Group as enlarged by the Rights Issue (with the Bonus Issue) and, as the case may be, the Acquisition
"Excluded Shareholders"	the Overseas Shareholders at the Record Date and Time where the WYT Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
"Final Consideration"	the final price which will be paid by Guidepost to East Run for the Acquisition
"Final Current Account"	the amount due to the immediate holding companies of the Target Companies as set out in the Completion Accounts
"Final Deferred Tax"	the aggregate deferred tax of the Target Companies as set out in the Completion Accounts
"Final NAV"	the aggregate net asset value of the Target Companies as set out in the Completion Accounts
"First Registered Holders"	Qualifying Shareholders who have applied for and received the Rights Shares allotted to them by WYT after lodging valid PALs and EAFs (if applicable)
"Full Gainer"	Full Gainer Investment Limited, a wholly-owned subsidiary of East Run and a property holding company incorporated in Hong Kong with limited liability
"Grand Quality"	Grand Quality Development Limited, a wholly-owned subsidiary of East Run and a property holding company incorporated in Hong Kong with limited liability
"Guidepost"	Guidepost Investments Limited, a company incorporated under the laws of the BVI with limited liability whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI (BVI company number: 595326), which is a wholly-owned subsidiary of WYT
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the WYT Board comprising all of the four independent non-executive WYT Directors, namely Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, formed for the purpose of advising the Independent Shareholders on the Rights Issue (with the Bonus Issue)
"Independent Shareholders"	Shareholders other than Ms. Tang (should she exercise her Share Options and become a Shareholder before the SGM)
"Info World"	Info World Investment Limited, a wholly-owned subsidiary of East Run and a property holding company incorporated in Hong Kong with limited liability
"Initial Consideration"	the first payment in the sum of HK$114,300,000 which will be made by Guidepost to East Run upon completion of the Acquisition, unless the East Run and Guidepost agree in writing on an alternative time
"Initial Current Account"	the aggregate amount due to the immediate holding companies of the Target Companies as set out in the Current Financial Statements
"Initial Deferred Tax"	the aggregate deferred tax of the Target Companies as set out in the Current Financial Statements
"Initial NAV"	the aggregate net asset value of the Target Companies as set out in the Current Financial Statements
"Irrevocable Undertaking"	an irrevocable undertaking dated 5 August 2010 under which Rich Time provided the irrevocable undertaking to WYT and the Underwriter as described under the section headed "Irrevocable Undertaking" in this circular
"Last Trading Day"	5 August 2010, being the last trading day for the Shares on the Stock Exchange before the release of the Announcement
"Latest Practicable Date"	24 August 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
"Latest Time For Acceptance"	4:00 p.m. on Wednesday, 20 October 2010, or such later time or date as may be agreed between the Underwriter and WYT, being the latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Shares) as described in the Prospectus Documents

"Latest Time For Termination"	4:00 p.m. on the third business day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriter and WYT, being the latest time to terminate the Underwriting Agreement or such other time as may be agreed between WYT and the Underwriter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ms. Tang"	Ms. Tang Mui Fun, the executive WYT Director
"Nuada"	Nuada Limited, a licensed corporation under the SFO to conduct Type 6 regulated activity and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue (with the Bonus Issue)
"Overseas Shareholders"	the Shareholder(s) whose address(es) on the register of members of WYT are outside Hong Kong
"PAL(s)"	provisional allotment letter(s) for the Rights Issue
"PRC"	the People's Republic of China
"Properties"	the properties are located at (i) Shop B, No. 68-72 Tai Wai Road, Shatin, New Territories, (ii) G/F. & Mezzanine Floor, Lee Wah Building, No. 738-740A Nathan Road, Kowloon, (iii) Shop B, G/F., No. 23-33 Shui Wo Street, Kwun Tong, Kowloon, (iv) G/F., 1/F., and 2/F., 68 San Hong Street, Sheung Shui, New Territories and (v) Shop A, G/F., Onshine Commercial Building, No. 10 Tung Shing Road, Aberdeen, Hong Kong
"Prospectus"	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between WYT and the Underwriter
"Prospectus Documents"	the Prospectus, the PAL(s) and the EAF(s)
"Prospectus Posting Date"	6 October 2010, or such other day as may be agreed between WYT and the Underwriter, being the date of despatch of the Prospectus Documents
"Qualifying Shareholders"	the Shareholders, whose names appear on the register of members of WYT as at the Record Date and Time, other than the Excluded Shareholders

"Record Date and Time"	5:30 p.m. on Tuesday, 5 October 2010, being the date and time by reference to which entitlements to the Rights Issue (with the Bonus Issue) will be determined
"Registrar"	WYT's branch share registrar and transfer office in Hong Kong, which is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Remaining Untaken Shares"	those (if any) of the Untaken Shares in excess of the 380,000,000 Rights Shares that Wang On has undertaken to subscribe or procure subscription for under the Irrevocable Undertaking
"Rich Time"	Rich Time Strategy Limited, a company incorporated in the BVI and whose principal place of business in Hong Kong is situated at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, which is an indirect wholly-owned subsidiary of Wang On and the registered holder of 527,009,324 Shares as of the date of the Sale and Purchase Agreement
"Rights Issue"	the proposed issue of the Rights Shares (with the Bonus Shares) by way of rights issue to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein
"Rights Shares"	not less than 1,454,387,835 Rights Shares and not more than 1,458,861,835 Rights Shares proposed to be offered to the Qualifying Shareholders for the subscription on the basis of five (5) Rights Shares for every Adjusted Share held at the Record Date and Time pursuant to the Rights Issue
"Sale and Purchase Agreement"	the agreement dated 6 August 2010 entered into between East Run and Guidepost for the sale and purchase of the Target Companies which held the Properties
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of WYT to be convened to consider and approve, among other things, the proposed Capital Reorganisation, the Rights Issue, the Bonus Issue and the Acquisition
"Share Consolidation"	the consolidation of Shares whereby every 25 Shares of par value of HK$0.01 each in the issued share capital of WYT will be consolidated into one Consolidated Share of par value of HK$0.25

"Shareholders"	the holder(s) of the Shares, the Consolidated Shares or the Adjusted Shares (as the case may be)
"Share Option Scheme"	the share option scheme adopted by WYT on 18 September 2003 at the special general meeting of WYT
"Share Options"	the options granted by WYT to subscribe for Shares, the Consolidated Shares or the Adjusted Shares (as the case may be) pursuant to the Share Option Scheme
"Shares"	the ordinary shares of HK$0.01 each in the share capital of WYT prior to the implementation of the Capital Reorganisation
"Smart First"	Smart First Investment Limited, a wholly-owned subsidiary of East Run and a property holding company incorporated in Hong Kong with limited liability
"Star Sense"	Star Sense Limited, a wholly-owned subsidiary of East Run and a property holding company incorporated in Hong Kong with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.207 per Rights Share
"Takeover Code"	the Hong Kong Code on Takeovers and Mergers
"Target Companies"	Smart First, Info World, Grand Quality, Star Sense and Full Gainer, all of which are wholly-owned subsidiaries of East Run and are companies incorporated in Hong Kong with limited liabilities
"Underwriter" or "Kingston"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the SFO
"Underwriting Agreement"	the underwriting agreement dated 5 August 2010 entered into between WYT and the Underwriter in relation to the Rights Issue
"Underwritten Shares"	not less than 968,985,975 Rights Shares and not more than 973,459,975 Rights Shares underwritten by the Underwriter

"Untaken Shares"	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker's cashier order for the full amount payable on application which are honoured on first or, at the option of WYT, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance
"Wang On"	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Wang On Board"	the board of the Wang On Directors
"Wang On Directors"	the directors of Wang On
"Wang On Group"	Wang On and its subsidiaries
"WYT" or "Company"	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"WYT Board"	the board of the WYT Directors
"WYT Directors"	the directors of WYT
"WYT Group"	WYT and its subsidiaries
"%"	per cent

* *For identification purposes only*

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)

Executive Directors:
Mr.Tang Ching Ho
(Chairman)
Mr. Chan Chun Hong, Thomas
(Managing Director)
Ms. Tang Mui Fun

Independent non-executive Directors:
Mr. Leung Wai Ho
Mr. Siu Man Ho, Simon
Mr. Yuen Chi Choi
Mr. Cho Wing Mou

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and principal place of business:
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

27 August 2010

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND CAPITAL REDUCTION;
(2) CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AND TIME AT HK$0.207 PER RIGHTS SHARE (WITH THE BONUS ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE);
(4) MAJOR TRANSACTION - ACQUISITION OF THE ENTIRE INTERESTS OF FIVE COMPANIES AND ENTERING INTO A DEED OF GUARANTEE;
AND
(5) NOTICE OF THE SGM**

* *For identification purposes only*

INTRODUCTION

On 9 August 2010, WYT announced that:

(a) the WYT Board proposed to put forward to the Shareholders a proposal to effect the Capital Reorganisation which will comprise: (i) the proposed Share Consolidation whereby every 25 Shares of par value of HK$0.01 each in the issued share capital of WYT will be consolidated into one Consolidated Share of par value of HK$0.25; (ii) the proposed Capital Reduction whereby (a) the par value of all the issued Consolidated Shares shall be reduced from HK$0.25 each to HK$0.01 each and the issued share capital of WYT shall accordingly be reduced to the extent of HK$0.24 per Consolidated Share in issue and (b) any fractional Consolidated Shares in the issued share capital of WYT arising from the Share Consolidation shall be reduced and cancelled; and (iii) applying the credit arising from the Capital Reduction to set off the accumulated loss of WYT;

(b) as a result of the Capital Reorganisation, the board lot size of the Shares for trading on the Stock Exchange will temporarily decrease from 6,000 Shares to 240 Adjusted Shares. The WYT Board announced that the board lot size of the Adjusted Shares will be changed from 240 Adjusted Shares to 10,000 Adjusted Shares after the Capital Reorganisation becomes effective;

(c) upon the Capital Reorganisation becoming effective, WYT proposed to raise gross proceeds of not less than approximately HK$301.06 million and not more than approximately HK$301.98 million before expenses, by way of Rights Issue of not less than 1,454,387,835 Rights Shares and not more than 1,458,861,835 Rights Shares at the Subscription Price of HK$0.207 per Rights Share, on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time. Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue. On the basis of not less than 1,454,387,835 Rights Shares and not more than 1,458,861,835 Rights Shares to be issued under the Rights Issue, not less than 290,877,567 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 291,772,367 Bonus Shares will be issued; and

(d) on 6 August 2010, Guidepost, a wholly-owned subsidiary of WYT, and East Run, a wholly-owned subsidiary of Wang On, entered into the Sale and Purchase Agreement pursuant to which, Guidepost agreed to acquire and East Run agreed to dispose of the entire issued share capital and the shareholder loans of each of the Target Companies at an aggregate consideration consisting of: (i) an Initial Consideration in the sum of HK$114,300,000 paid by Guidepost to East Run on the Completion Date (unless East Run and Guidepost agree in writing on an alternative time); and (ii) an adjustment amount adjusting the Initial Consideration which is based on the Completion Accounts prepared by accountants duly appointed by Guidepost within one (1) month following the Completion Date. The consideration will be satisfied in cash on completion of the Sale and Purchase Agreement out of the proceeds from the Rights Issue.

WYT has established the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the Bonus Issue are fair and reasonable and whether the Rights Issue and the Bonus Issue are in the interests of WYT and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

The purpose of this circular is to provide you, among others, (i) further details about the Capital Reorganisation, change in board lot size, the Rights Issue with the Bonus Issue and the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue with the Bonus Issue; (iii) the advice of Nuada to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue with the Bonus Issue; (iv) the accountants' report of the Target Companies; (v) the unaudited pro forma financial information of the Enlarged WYT Group in respect of the Rights Issue; (vi) the unaudited pro forma financial information of the Enlarged WYT Group in respect of the Acquisition; (vii) the valuation report; and (viii) a notice of the SGM at which resolutions will be proposed to consider and, if though fit, to approve the Capital Reorganisation, the Rights Issue with the Bonus Issue and the Acquisition.

PROPOSED CAPITAL REORGANISATION

The WYT Board proposed to put forward to the Shareholders a proposal to effect the Capital Reorganisation which will comprise:—

(i) the proposed Share Consolidation whereby every 25 Shares of par value of HK$0.01 each in the issued share capital of WYT will be consolidated into one Consolidated Share of par value of HK$0.25;

(ii) the proposed Capital Reduction whereby (a) the par value of all the issued Consolidated Shares shall be reduced from HK$0.25 each to HK$0.01 each and the issued share capital of WYT shall accordingly be reduced to the extent of HK$0.24 per Consolidated Share in issue and (b) any fractional Consolidated Shares in the issued share capital of WYT arising from the Share Consolidation shall be reduced and cancelled; and

(iii) applying the credit arising from the Capital Reduction to set off the accumulated loss of WYT.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of WYT is HK$600,000,000 divided into 60,000,000,000 Shares, of which 7,271,939,188 Shares are issued and credited as fully paid. Upon the proposed Share Consolidation becoming effective and based on the existing issued share capital, the issued share capital of WYT will be consolidated into 290,877,567.52 Consolidated Shares of par value of HK$0.25 each. Upon the Capital Reduction becoming effective, the par value of all the Consolidated Shares shall be reduced from HK$0.25 each to HK$0.01 each and the issued share capital of WYT shall accordingly be reduced to the extent of HK$0.24 per Consolidated Share in issue. Any fractional Consolidated Shares in the issued share capital of WYT arising from the Share Consolidation shall be reduced and cancelled.

The resulting Adjusted Shares of par value of HK$0.01 each will rank *pari passu* in all respects with each other in accordance with the Bye-Laws. The authorised share capital of WYT will remain unchanged upon the Capital Reduction becoming effective, but the issued share capital will be reduced to approximately HK$2,908,775.67 divided into 290,877,567 Adjusted Shares of par value of HK$0.01 each.

Assuming that no further Shares will be issued or repurchased between the Latest Practicable Date and the date on which Capital Reorganisation becomes effective, a credit of approximately HK$69,810,616.21 will arise as a result of the Capital Reorganisation and will be applied to set off the accumulated loss of WYT.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the WYT Group, nor will it alter the underlying assets, business, operations, management or financial position of the WYT Group or the interests of the Shareholders as a whole.

The WYT Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of WYT and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that WYT is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of WYT or the repayment to the Shareholders of any unpaid capital of WYT nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

As a result of the Capital Reorganisation, WYT’s share capital and reserves will more closely reflect the available net assets of WYT. In addition, the Capital Reorganisation will provide flexibility for equity fund raising of WYT in the future. The credit arising from the Capital Reduction will be applied to set off the accumulated loss of WYT.

In view of the above, the WYT Board considers that the Capital Reorganisation is in the interests of WYT and the Shareholders as a whole.

Outstanding Share Options

As at the Latest Practicable Date, there are outstanding Share Options entitling the holders thereof to subscribe for 22,370,000 Shares. The exercise price and the number of Shares to be issued upon exercise of the Share Options may have to be adjusted in accordance with the rules of the Share Option Scheme and in compliance with the Listing Rules and the relevant rules, guidance and listing decisions issued by the Stock Exchange. WYT will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the Share Options and will inform the holders of the Share Options of the adjustments, if any, accordingly. Further announcement will be made by WYT in respect of such adjustments as and when appropriate.

Save as the aforesaid, WYT has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Conditions of the Capital Reorganisation

The implementation of the Share Consolidation and Capital Reduction are inter-conditional with each other and the implementation of the Capital Reorganisation is conditional upon, among other things:

(i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;

(ii) compliance with Section 46(2) of the Companies Act to effect the Capital Reduction, which includes the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act; and

(iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the date of the SGM after the passing of the relevant resolution(s) approving the Capital Reorganisation. Subject to the passing of the requisite resolution(s) at the SGM approving the Capital Reorganisation, the Capital Reorganisation will comply with the laws of Bermuda.

Listing and dealings

An application will be made by WYT to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Adjusted Shares may be settled through CCASS. You should seek advice of your stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit certificates for the existing Shares, to the Registrar during the business hours from Wednesday, 22 September 2010 to Monday, 1 November 2010 (both dates inclusive) to exchange for the new certificates of the Adjusted Shares at the expenses of WYT. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The existing certificates will be valid for trading and settlement up to 4:00 p.m. on Thursday, 28 October 2010, being the latest time for trading in board lots of 240 Adjusted Shares in the form of existing certificates (or such other date which will be announced by WYT) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

CHANGE IN BOARD LOT SIZE

As a result of the Capital Reorganisation, the board lot size of the Shares for trading on the Stock Exchange will temporarily decrease from 6,000 Shares to 240 Adjusted Shares. The WYT Board announces that the board lot size of the Adjusted Shares will be changed from 240 Adjusted Shares to 10,000 Adjusted Shares after the Capital Reorganisation becomes effective.

Based on the closing price of HK$0.037 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the prevailing board lot value is HK$222 in the board lot size of 6,000 Shares and, based on the theoretical adjusted closing price of the Adjusted Shares of HK$0.925 per Adjusted Share with reference to the closing price of HK$0.037 per Share on the Latest Practicable Date, the new estimated board lot value would be HK$9,250 in the new board lot size of 10,000 Adjusted Shares. The Board believes that the enlarged board lot size will facilitate the trading of the Adjusted Shares following the Capital Reorganisation. The change in board lot size will not affect any of the Shareholders' rights.

As from Wednesday, 22 September 2010, any new share certificates will be issued in board lots of 10,000 Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed). The expected timetable for such change in board lot size is set out in the section entitled "Expected Timetable" in this ciruclar.

Shareholders may submit their existing share certificates in board lots of 6,000 Shares each to the Registrar in exchange for new share certificates in board lots of 10,000 Adjusted Shares each free of charge. The details about the free exchange of share certificates are set out in the subsection "Free Exchange of Share Certificates" under the section entitled "Proposed Capital Reorganisation" in this circular.

Odd lot arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and change in board lot size, a designated broker will be appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:30 a.m. on Friday, 8 October 2010 to 4:00 p.m. on Thursday, 28 October 2010 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

PROPOSED RIGHTS ISSUE

The Rights Issue and the Bonus Issue are proposed to take place after the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time and payable in full on acceptance, together with one (1) Bonus Share for every five (5) Rights Shares taken up
Subscription price	:	HK$0.207 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	7,271,939,188 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	290,877,567 Adjusted Shares (assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective) or 291,772,367 Adjusted Shares (assuming all rights attaching to the outstanding Share Options are exercised before the Record Date and Time)
Number of Rights Shares	:	Not less than 1,454,387,835 Rights Shares but not more than 1,458,861,835 Rights Shares
Number of Bonus Shares	:	Not less than 290,877,567 Bonus Shares and not more than 291,772,367 Bonus Shares to be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue
Total number of issued Adjusted Shares upon completion of the Rights Issue and the Bonus Issue	:	Not less than 2,036,142,969 Adjusted Shares but not more than 2,042,406,569 Adjusted Shares

Assuming no exercise of any Share Options on or before the Record Date and Time, the minimum total number of Rights Shares and Bonus Shares of 1,745,265,402 Adjusted Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) represents:

(i) 600% of the number of Adjusted Shares immediately upon completion of the Capital Reorganisation (based on WYT's existing issued share capital as at the Latest Practicable Date); and

(ii) approximately 85.71% of the WYT's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

Assuming exercise of all Share Options in full at or before the Record Date and Time, the maximum total number of Rights Shares and the Bonus Shares of 1,750,634,202 Adjusted Shares represents:

(i) 600% of the number of Adjusted Shares immediately upon completion of the Capital Reorganisation; and

(ii) approximately 85.71% of the WYT's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Share Options at or before 4:30 p.m. (Hong Kong time) on Wednesday, 29 September 2010. As at the Latest Practicable Date, there are outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 22,370,000 Shares. If all the subscription rights attaching to the Share Options are duly exercised and Shares are allotted and issued pursuant to such exercise at or before 4:30 p.m. (Hong Kong time) on Wednesday, 29 September 2010, the number of issued Shares could increase to 7,294,309,188 Shares. On this basis, following the Capital Reorganisation, a total of 1,458,861,835 Rights Shares may be issued and the enlarged issued share capital upon completion of the Rights Issue and the Bonus Issue could correspondingly increase to 2,042,406,569 Adjusted Shares accordingly. Save for the outstanding Share Options, WYT has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Bonus Issue

Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue. On the basis of not less than 1,454,387,835 Rights Shares but not more than 1,458,861,835 Rights Shares to be issued under the Rights Issue, not less than 290,877,567 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 291,772,367 Bonus Shares will be issued.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of WYT and not being Excluded Shareholders at the Record Date and Time. In order to be registered as members of WYT at the Record Date and Time, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Wednesday, 29 September 2010 at the following address:

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

WYT will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the PAL(s) and EAF(s) in respect of the allotment of Rights Shares and the Bonus Shares), for information only, to the Excluded Shareholders on the Prospectus Posting Date.

WYT will ascertain whether there are any Overseas Shareholders at the Record Date and Time. In determining whether there will be Excluded Shareholders, WYT will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to WYT's offering of the Rights Shares and the Bonus Shares to the Overseas Shareholders in compliance with the Listing Rules.

Rights of the Excluded Shareholders

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the Excluded Shareholders pro-rata to their shareholdings held at the Record Date and Time. In light of the administrative costs, WYT will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares, together with any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares. The WYT Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots.

The WYT Board will regard each of the Qualifying Shareholders as a single Shareholder. As such, investors whose Shares or Adjusted Shares (as the case may be) are held by a nominee company whose name appears on the register of members of WYT will be regarded as a single Shareholder in relation to the application for excess Rights Shares. On this basis, investors who hold their Shares or Adjusted Shares (as the case may be) through their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) are advised to consider whether they would like to arrange registration of their shares in their own names prior to the relevant closure period of WYT's register of members. For Shareholders whose Shares or Adjusted Shares (as the case may be) are held by their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of WYT, they must lodge all necessary documents with the Registrar, for completion of the relevant registration not later than 4:30 p.m. on Wednesday, 29 September 2010.

Closure of register of members

The register of members of WYT, in relation to the Rights Issue, will be closed from Thursday, 30 September 2010 to Tuesday, 5 October 2010, both dates inclusive. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK$0.207 per Rights Share, payable in full on application.

The Subscription Price represents:

(i) a discount of approximately 83.10% to the adjusted closing price of HK$1.225 per Adjusted Share, based on the closing price of HK$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(ii) a discount of approximately 83.10% to the adjusted average closing price of approximately HK$1.225 per Adjusted Share, based on the average closing price of approximately HK$0.049 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 35.91% to the theoretical ex-entitlement price of approximately HK$0.323 per Adjusted Share after the Rights Issue and the Bonus Issue, based on the closing price of HK$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iv) a discount of approximately 94.84% to the unaudited net asset value per Adjusted Share of approximately HK$4.01 as at 31 March 2010 as adjusted for the Capital Reorganisation and after taking into account of the net proceeds of approximately HK$61.5 million from the placing of Shares completed in April 2010; and

(v) a discount of approximately 77.62% to the adjusted closing price of HK$0.925 per Adjusted Share, based on the closing price of HK$0.037 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between WYT and the Underwriter with reference to the market price of the Shares and the prevailing market conditions. The WYT Directors consider that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in WYT and participate in the future growth of the WYT Group.

In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the WYT Directors (including the independent non-executive WYT Directors) consider that the terms of the Rights Issue and the Bonus Issue are fair and reasonable and in the best interests of the WYT Group and the Shareholders as a whole.

Status of the Rights Shares and the Bonus Shares

The Rights Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares. Dealings in the Rights Shares and the Bonus Shares will be subject to payment of stamp duty in Hong Kong.

Certificates of the Rights Shares and the Bonus Shares and refund cheques

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares and the Bonus Shares are expected to be sent on or before Wednesday, 27 October 2010 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 27 October 2010 by ordinary post to the applicants at their own risk.

Fractions of the Rights Shares and the Bonus Shares

Fractional entitlements to the Rights Shares and the Bonus Shares will not be allotted and will not be issued.

Application for listing

WYT will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares. The Rights Shares (in both nil-paid form and fully-paid form) and the Bonus Shares will be traded in board lot size of 10,000 Adjusted Shares. No part of the securities of WYT is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchanges.

Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the register of members of WYT will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Irrevocable Undertaking

As at the Latest Practicable Date, Rich Time, an indirect wholly-owned subsidiary of Wang On, is interested in 527,009,324 Shares, representing approximately 7.25% of the existing issued share capital of WYT. Rich Time has given an Irrevocable Undertaking, in favour of WYT and the Underwriter, among other things, that (1) it will subscribe for 105,401,860 Rights Shares (with the Bonus Shares) which it will be entitled to pursuant to the terms of the Rights Issue; (2) the Shares or the Adjusted Shares (as the case may be) comprising its current shareholding will remain registered in its name at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (3) it will procure that the applications in respect of the 105,401,860 Rights Shares (with the Bonus Shares) comprising its entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than 4:00 p.m. at the Latest Time For Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (4) it will apply, by way of excess application, for an additional 380,000,000 Rights Shares (with the Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue.

UNDERWRITING AGREEMENT

The Underwriting Agreement

Date	:	5 August 2010
Underwriter	:	Kingston Securities Limited. As at the Latest Practicable Date, the Underwriter is interested in seven (7) Shares. To the best of the knowledge, information and belief of the WYT Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of WYT and the connected persons of WYT.
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has agreed to fully underwrite not less than 968,985,975 Underwritten Shares and not more than 973,459,975 Underwritten Shares not taken up by the Qualifying Shareholders.
Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the WYT Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the WYT Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) there is any change in the circumstances of WYT or any member of the WYT Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the WYT Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the WYT Group or the destruction of any material asset of the WYT Group; or

(iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(v) any other material adverse change in relation to the business or the financial or trading position or prospects of the WYT Group as a whole whether or not ejusdem generis with any of the foregoing; or

(vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

(vii) any suspension in the trading of securities generally or WYT's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to WYT, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Conditions of the Rights Issue and the Bonus Issue

The Rights Issue and the Bonus Issue are conditional upon the following:

(i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus duly signed by two WYT Directors (or by their agents duly authorised in writing) as having been approved by resolution of the WYT Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date and the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;

(ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

(iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;

(iv) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

(v) the passing of the necessary resolution(s) by the Shareholders (where applicable, the independent Shareholders) at the SGM to approve (i) the Capital Reorganisation; (ii) the Rights Issue; (iii) the issue and allotment of the Bonus Shares, and the transactions contemplated under the Underwriting Agreement;

(vi) the Capital Reorganisation having been completed;

(vii) compliance with and performance by WYT of all the undertakings and obligations under the terms of the Underwriting Agreement;

(viii) compliance with and performance of all undertakings and obligations of Rich Time under the Irrevocable Undertaking;

(ix) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Bonus Shares; and

(x) in the event that the number of Remaining Untaken Shares exceeds 19.9% of the issued share capital of WYT immediately upon the completion of the Rights Issue, the Underwriter successfully procuring subscriber(s): (i) who are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of WYT or substantial shareholders of WYT or their respective associates (as defined in the Listing Rules); and (ii) none of whom (together with their respective parties acting in concert (within the meaning of the Takeovers Code) with them) will hold 10.0% or more of the voting rights of WYT upon completion of the Rights Issue, so that all Remaining Untaken Shares are subscribed for.

The conditions (other than condition (vii) above) are incapable of being waived. If any of the above conditions is not satisfied in whole or in part by the Latest Time For Termination, the Underwriting Agreement shall be terminated accordingly and no party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by WYT be borne by WYT, and the Rights Issue and the Bonus Issue will not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF WYT ARISING FROM THE RIGHTS ISSUE AND THE BONUS ISSUE

(i) assuming no exercise of the outstanding Share Options before the Record Date and Time.

	As at the Latest Practicable Date		**Immediately after the Capital Reorganisation but before the completion of Rights Issue and Bonus Issue**		**Immediately after completion of Rights Issue and Bonus Issue (all Rights Shares are subscribed by the Qualifying Shareholders)**		**Immediately after completion of Rights Issue and Bonus Issue (except Wang On or its nominee and the Underwriter, none of Rights Shares are subscribed by the Qualifying Shareholders) (Note 2, 3)**	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Substantial Shareholder								
Wang On Group (Note 1)	527,009,324	7.25	21,080,372	7.25	147,562,604	7.25	603,562,604	29.64
Public Shareholders								
Underwriter	7	0.00	—	—	—	—	1,162,783,170	57.11
Other public Shareholders	6,744,929,857	92.75	269,797,195	92.75	1,888,580,365	92.75	269,797,195	13.25
Total	7,271,939,188	100.00	290,877,567	100.00	2,036,142,969	100.00	2,036,142,969	100.00

(ii) assuming the exercise of all outstanding Share Options before the Record Date and Time.

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before the completion of Rights Issue and Bonus Issue		Immediately after completion of Rights Issue and Bonus Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of Rights Issue and Bonus Issue (except Wang On or its nominee and the Underwriter, none of Rights Shares are subscribed by the Qualifying Shareholders) (Note 2, 3)	
	Number of Shares	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Substantial Shareholder								
Wang On Group (Note 1)	527,009,324	7.22	21,080,372	7.22	147,562,604	7.22	603,562,604	29.55
Director								
Ms. Tang	1,950,000	0.03	78,000	0.03	546,000	0.03	78,000	0.00
Public Shareholders								
Underwriter	7	0.00	—	—	—	—	1,168,151,970	57.20
Other public Shareholders	6,765,349,857	92.75	270,613,995	92.75	1,894,297,965	92.75	270,613,995	13.25
Total	7,294,309,188	100.00	291,772,367	100.00	2,042,406,569	100.00	2,042,406,569	100.00

Notes:

1. These Shares are beneficially owned by Rich Time, an indirect wholly-owned subsidiary of Wang On.

2. **This scenario is for illustrative purpose only and will never occur.** Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Remaining Untaken Shares:

   (i) the Underwriter shall not subscribe, for its own account, for such number of Remaining Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in WYT to exceed 19.9% of the voting rights of WYT upon the completion of the Rights Issue; and

   (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Remaining Untaken Shares (which form part of the Underwritten Shares) procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the WYT Directors or chief executive of WYT or substantial shareholders of WYT or their respective associates and concert parties; and (ii) any subscribers procured by the Underwriter shall not, together with any party acting in concert with it, hold 10.0% or more of the voting rights of WYT upon completion of the Rights Issue.

3. WYT will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.

4. As at the Latest Practicable Date, the Underwriter is interested in seven (7) Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of WYT and connected persons of WYT.

REASONS FOR THE RIGHTS ISSUE (WITH THE BONUS ISSUE) AND USE OF PROCEEDS

The WYT Group is principally engaged in (i) the 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; and (ii) the processing and sale of western pharmaceutical products under the brand names of “Madame Pearl’s” and “Pearl’s”. The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses, of approximately HK$9.02 million, will be borne by WYT. Having considered other fund raising alternatives for the WYT Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the WYT Group to strengthen its balance sheet without facing the increasing interest rates. The WYT Board considers that the Rights Issue is in the interests of WYT and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of WYT and enables the Qualifying Shareholders to maintain their proportionate interests in WYT and continue to participate in the future development of the WYT Group should they wish to do so. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part into the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in WYT will be diluted.**

The WYT Directors (including the independent non-executive Directors) consider that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of WYT and the Shareholders as a whole having taken into account the terms of the Rights Issue and the Bonus Issue.

The estimated net proceeds of the Rights Issue will be not less than approximately HK$292.04 million and not more than approximately HK$292.95 million and are intended to be used for the following purposes: (a) approximately HK$10 million for the repayment of WYT’s borrowings, (b) approximately HK$60 million for the expansion of WYT Group’s Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises or office premises in Hong Kong, PRC or elsewhere), (c) approximately HK$114.3 million for the Acquisition, and (d) the remaining balance of approximately HK$107.74 million for possible investment opportunities in the future and as general working capital. As at the Latest Practicable Date, no investments targets were identified by the WYT Group.

The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK$0.201 per Rights Share.

A statement of unaudited pro forma consolidated net tangible asset value (“**NTAV**”) of the WYT Group based on the adjusted consolidated NTAV of the WYT Group as at 31 March 2010 as if the Rights Issue had taken place on 31 March 2010 is set out in Appendix IV to this circular.

The unaudited adjusted consolidated NTAV of the WYT Group was not less than HK$1,372,701,000 and not more than HK$1,373,605,000 as at 31 March 2010.

PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

Save as disclosed below, WYT has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date:

Date of announcement	Description	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds
12 Apr 2010	Placing of shares	HK$61.5 million	approximately HK$10.0 million for the repayment of interest-bearing debts	approximately HK$6.5 million for the repayment of interest-bearing debts and the balance will be utilised as intended
			approximately HK$21.0 million for the expansion of WYT 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 WYT Group's retail network)	approximately HK$21.0 million for purchase of retail premises
			approximately HK$30.5 million for general working capital	approximately HK$30.5 million for the settlement of creditors, rental payment, group salaries payment and loan interest

THE SALE AND PURCHASE AGREEMENT AND THE DEED OF GUARANTEE

The Sale and Purchase Agreement

Date

6 August 2010

Parties

(i) East Run, an investment holding company and a wholly-owned subsidiary of Wang On, as the seller

(ii) Guidepost, a wholly-owned subsidiary of WYT, as the purchaser

As at the Latest Practicable Date, to the best of the WYT Directors' knowledge, information and belief having made any enquiry, Wang On, the ultimate beneficial owner of East Run, is indirectly interested in 527,009,324 Shares, representing approximately 7.25% of the issued Shares. East Run does not hold any Shares. To the best knowledge, information and belief of the WYT Directors having made all reasonable enquiries, East Run and its ultimate beneficial owner(s) are third parties independent of and not connected with WYT and its subsidiaries.

Assets to be acquired

The respective entire issued share capital and the shareholder loans of the Target Companies. Each of the Target Companies is an investment holding company holding one of the Properties.

Consideration

In consideration for the sale by the East Run of the issued share capital and the shareholder loans to Guidepost, Guidepost will pay to East Run the Initial Consideration in the sum of HK$114,300,000 by way of electronic transfer to the bank account of East Run at Completion, unless East Run and Guidepost agree in writing on an alternative time. The Initial Consideration is subject to the adjustments by reference to the Final NAV, Final Current Account and Final Deferred Tax in the Completion Accounts of the Target Companies dated as at the Completion Date. The Completion Accounts will be prepared by an accounting firm duly appointed by East Run and Guidepost. The Final Consideration for the Acquisition shall be the amount which results from taking the Initial Consideration and:

(a) adding the amount of the difference between the Initial NAV and the Final NAV if that Final NAV is greater than the Initial NAV (or subtracting the amount of such difference if that Final NAV is less than the Initial NAV);

(b) adding the amount of the difference between the Initial Current Account and the Final Current Account if that Final Current Account is greater than the Initial Current Account (or subtracting the amount of such difference if that Final Current Account is less than the Initial Current Account); and

(c) adding the amount of the difference between the Initial Deferred Tax and the Final Deferred Tax if that Final Deferred Tax is greater than the Initial Deferred Tax (or subtracting the amount of such difference if that Final Deferred Tax is less than the Initial Deferred Tax).

Any payments required to be made under the financial adjustments as set out in (a) to (c) above will be treated as adjusting the Initial Consideration and East Run or Guidepost (as the case may be) must pay such financial adjustments to the other party within five (5) Business Days of the date on which the Completion Accounts are prepared.

The consideration was agreed between the parties to the Sale and Purchase Agreement based on arm's length negotiations with reference to the book value and appraised value of the Properties of the Target Companies prepared by an independent valuer.

Conditions precedent of the Acquisition

Completion of the Acquisition shall be conditional on the following conditions having been waived (except conditions (b), (d) and (e)) or fulfilled in accordance with the Sale and Purchase Agreement:

(a) Guidepost being satisfied as to its due diligence findings of each of the Target Companies and their subsidiaries;

(b) Guidepost having obtained the approval of the Shareholders of WYT in a general meeting for the Acquisition, the Capital Reorganisation, the Rights Issue and the Bonus Issue in accordance with the requirements of the Listing Rules and such approval not having been or proposed to be revoked;

(c) no event, circumstance, effect, occurrence or state of affairs or any combination thereof arising or occurring on or after the date of the Sale and Purchase Agreement which is, or may be, materially adverse to the business, operations, assets or financial condition of any of the Target Companies or their subsidiaries;

(d) the Capital Reorganisation becoming effective in accordance with its terms;

(e) the completion of the Rights Issue in accordance with its terms; and

(f) Guidepost has obtained certificates of title issued by its legal counsel on each of the Properties on or before the Completion Date in form satisfactory to Guidepost.

If any of the above conditions has not been fulfilled or waived by 30 November 2010 or (such later date as East Run and Guidepost may mutually agree in writing), the Sale and Purchase Agreement (other than certain surviving provisions set out in the Sale and Purchase Agreement) shall automatically terminate.

Information of the Target Companies

The Target Companies are companies incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, the Target Companies are indirect wholly-owned subsidiaries of Wang On. The Target Companies are investment holdings companies and the sole asset of each of the Target Companies is a property. According to East Run provided audited financial statements of each of the Targeted Companies as at 31 March 2010, the aggregate net asset value of the Target Companies was approximately HK$8.3 million.

Set out below is a summary of the combined financial results of the Target Companies in aggregate for the two years ended 31 March 2009 and 31 March 2010:

	Year ended 31 March	
	2010	**2009**
	(HK$'000)	*(HK$'000)*
Turnover	3,395	2,833
Profit/(Loss) before tax	24,627	(5,495)
Profit/(Loss) after taxation	21,272	(4,702)
Net asset/(liabilities)	8,288	(12,986)

Information of the Properties

Each of the Properties is held by each of the Target Companies. The Properties are leased to WYT with a fix monthly rental income. By reference to independent professional valuation, the market value of the Properties as at 31 July 2010 was HK$142 million in total.

The followings are the details of the Properties:

Location	**Size**	**Current use**	**Monthly rental amounts**
Ground Floor, 1st Floor, 2nd Floor & Rooftop, No. 68 San Hong Street, Sheung Shui, New Territories	The saleable area of the ground floor is approximately of 956 sq.ft. (88.81 sq.m.) plus a yard of 60 sq.ft. (5.57 sq.m.); the saleable floor area of each of the 1st Floor and 2nd Floor is approximately 694 sq.ft (64.47 sq.m.)	Using by WYT as a retail shop	HK$72,000 exclusive of rates and management fees but inclusive of government rent

Location	Size	Current use	Monthly rental amounts
Shop B on Ground Floor, Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon	The saleable area of the property is approximately of 452 sq.ft. (41.99 sq.m.).	Using by an associate of WYT as a retail shop	HK$60,000 exclusive of rates and management fees but inclusive of government rent
Shop C on Ground Floor and Flat C on Mezzanine Floor, Lee Wah Building, Nos. 738-740A Nathan Road, Kowloon	The saleable area of the ground floor is approximately of 737 sq.ft. (68.47 sq.m.) plus a yard of 77 sq.ft. (7.15 sq.m.); the floor area of Mezzanine Floor is approximately of 425 sq.ft. (39.48 sq.m.).	Using by WYT as a retail shop	HK$130,000 exclusive of rates and management fees but inclusive of government rent

The above three properties have been pledged for Wang On's general banking facilities which will be released on or before the Completion Date.

Shop B on G/F & Portion of the Yard, Nos. 66, 68,70 & 72 Tai Wai Road, Shatin, New Territories	The saleable area of the property is approximately 655 sq.ft. (60.85 sq.m.) plus a yard of approximately 164 sq.ft. (15.24 sq.m.).	Using by WYT as a retail shop	HK$90,000 exclusive of rates and management fees but inclusive of government rent
Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong	The saleable area of the property is approximately 434 sq.ft. (40.32 sq.m.)	Using by WYT as a retail shop	HK$60,000 exclusive of rates and management fees but inclusive of government rent

Tax Indemnity

East Run has given an undertaking under the Sale and Purchase Agreement to fully and effectively indemnify and keep indemnified and hold harmless each of Guidepost and its Affiliates (for each of itself and on trust for each of its directors, officers, employees, agents, assignees and affiliates) from and against all losses, damages, liabilities, payments, costs or expenses which may be suffered, made or incurred by Guidepost or its Affiliates (with such amount of indemnity to be paid to Guidepost to cover all such losses, damages, liabilities, payments, costs or expenses) arising out of or in connection with any deferred tax (including Hong Kong profits tax) imposed by any tax authority of Hong Kong on the transfer of any of the Properties by Guidepost or its Affiliates within three (3) years from the Completion Date. The liability of East Run arising from the aforesaid undertaking will not exceed the amount of deferred tax calculated based on the value of each of the Properties as set out in the Completion Accounts.

The Deed of Guarantee

As part of the consideration for East Run to sell, and Guidepost to purchase, the issued share capital and the shareholder loans under the Sale and Purchase Agreement, Wang On, East Run and Guidepost entered into a Deed of Guarantee dated 9 August 2010, pursuant to which Wang On unconditionally and irrevocably covenanted and guaranteed Guidepost the due and punctual performance, observance and compliance by East Run of each and every term, provision, condition, obligation, undertaking and agreement contained in the Sale and Purchase Agreement (as amended from time to time). The Deed of Guarantee has been confirmed and acknowledged by East Run.

Reasons for the Acquisition

Currently, WYT has to pay rent for the Properties every month. WYT intends to hold the Properties for the use by the WYT Group or its associates. Nevertheless, WYT may use the Properties for investment if opportunites arise in the future. The Acquisition allows the WYT Group to save the rental expenses in long term. Also, the Acquisition can enlarge the WYT Group's investment property portfolio and increase its long term rental income if investment opportunities arise in future. Taking into account the above factors, the WYT Directors consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of WYT and the Shareholders as a whole.

Valuation of the Properties

To comply with the Listing Rules, the Company engaged Vigers Appraisal & Consulting Limited to value the Properties held by the Target Companies. Details of the valuation report are set out in Appendix VI to this circular. Disclosures of the reconciliation of the carrying value and the valuation as required under Rule 5.07 of the Listing Rules are set out below:

	Properties under valuation *HK$'000*
Carrying value of the Properties as at 31 March 2010 as set out in Appendix II	126,597
Add: Revaluation gain	15,403
Valuation of the Properties as at 31 July 2010	142,000

Financial effect of the Acquisition and the Rights Issue (with the Bonus Issue)

Upon completion of the Acquisition and the Rights Issue (with the Bonus Issue), the Target Companies will become wholly-owned subsidiaries of WYT and the financial results of which will be consolidated into the WYT Group's consolidated financial statements.

Upon the Completion Date, the properties held by Smart First, Grand Quality, Star Sense and Full Gainer will be used by the WYT Group as retail shops and be classified as the property, plant and equipment and the property held by Info World will be used by an associate of WYT as a retail shop and be classified as an investment property.

Based on the unaudited pro forma consolidated statement of financial position in Appendix V to this circular, the total assets of the WYT Group would increase by approximately 25.94% from HK$1,236,901,000 to HK$1,557,797,000; and its total liabilities would increase by approximately 23.97% from HK$131,832,000 to HK$163,435,000, as a result of the Acquisition. Following the completion of the Acquisition, WYT will benefit from the saving of rental expenses for the Properties, which is expected to produce a positive impact on WYT's earnings. However, since the Properties will become the assets of WYT upon completion of the Acquisition, the earnings of WYT will be affected by the increase of depreciation costs. It is expected that the Acquisition will not have any adverse effect on the financial position and earnings of WYT.

FINANCIAL AND TRADING PROSPECTS OF THE WYT GROUP

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

On 15 May 2010, a wholly-owned subsidiary of WYT, entered into a provisional agreement for the purchase of a property at a cash consideration of HK$34.5 million which constituted a discloseable transaction pursuant to the Listing Rules. The property acquired is located in Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet and is currently leased for rental income. The WYT Group intended to continue to lease the property for commercial purpose for rental income. After completion of the existing lease agreement, the WYT Group may continue to lease out or use the property by itself, depending on the then market circumstances. The WYT Directors believe in the long term prospect of office/commercial properties in Hong Kong and hence consider that the property acquisition will strengthen the WYT Group's income base.

The WYT 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 WYT 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.

LISTING RULES IMPLICATION

In respect of the Acquisition, since certain relevant percentage ratios (as defined under the Listing Rules) are greater than 25% but less than 100%, the Acquisition constitutes a major transaction of WYT and is subject to the announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

Wang On, being the ultimate holding company of East Run, is indirectly interested in approximately 7.25% of the issued Shares, and its associates are required to abstain from voting at the SGM on the resolutions to approve the Acquisition.

GENERAL

The Rights Issue and the Bonus Issue are subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling Shareholder and their associates, or where there are no controlling Shareholders, the directors (excluding the independent non-executive directors), the chief executive of the company and their respective associates will abstain from voting in favour of the resolutions relating to the Rights Issue and the Bonus Issue. As at the Latest Practicable Date, there is no controlling Shareholder. Accordingly, Ms. Tang (should she exercise her Share Options and become a Shareholder before the SGM) and her associates shall abstain from voting in favour of the resolutions relating to the Rights Issue and the Bonus Issue. As at the Latest Practicable Date, Ms. Tang did not exercise any Share Options and did not hold any Shares.

WYT has established the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the Bonus Issue are fair and reasonable and whether the Rights Issue and the Bonus Issue are in the interests of WYT and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

Upon the approval of the Rights Issue (with the Bonus Issue) by the Independent Shareholders at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue (with the Bonus Issue) will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information only.

SGM

The SGM will be convened and held for the Shareholders and the Independent Shareholders to consider and, if thought fit, to approve the proposed Capital Reorganisation, the Rights Issue together with the Bonus Issue and the Acquisition.

A notice convening the SGM to be held at 11/F., Two Exchange Square, Central, Hong Kong at 11:30 a.m. on Tuesday, 21 September 2010 is set out on pages N-1 to N-5 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

RECOMMENDATION

The WYT Directors consider that the terms of the Sales and Purchase Agreement and the Deed of Guarantee are fair and reasonable and in the interests of WYT and the Shareholders as a whole. Accordingly, the WYT Directors recommend the Shareholders to vote in favor of the resolution approving the Acquisition at the SGM.

You are advised to read carefully the letter from the Independent Board Committee as set out on pages 40 and 41 and the letter from Nuada as set out on pages 42 to 53 respectively of this circular. The Independent Board Committee, having taken into account the advice of Nuada, considers that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue (with the Bonus Issue) is in the interests of WYT and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue (with the Bonus Issue) at the SGM.

The WYT Directors believe that the Capital Reorganisation and the Rights Issue (with the Bonus Issue) are in the interests of the WYT Group and the Shareholders as a whole, and accordingly, the WYT Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Chan Chun Hong, Thomas
Managing Director

* *For identification purposes only*

The following is the full text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:

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)

27 August 2010

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE IN THE PROPORTION OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AND TIME AT HK$0.207 PER RIGHTS SHARE (WITH THE BONUS ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE)

We refer to the circular of WYT dated 27 August 2010 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the WYT Board to advise the Independent Shareholders as to whether the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue (with the Bonus Issue) is in the interests of WYT and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Nuada has been appointed as the independent financial adviser to advise you and us in this respect.

* *For identification purposes only*

Having taken into account the principal reasons and factors considered by, and the advice of, Nuada as set out in its letter of advice to you and us on pages 42 to 53 of the Circular, we are of the opinion that the Rights Issue (with the Bonus Issue) is in the interests of WYT and the Shareholders as a whole and the terms of which are fair and reasonable insofar as WYT and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue (with the Bonus Issue).

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Leung Wai Ho **Mr. Siu Man Ho, Simon**
Mr. Yuen Chi Choi **Mr. Cho Wing Mou**
Independent non-executive WYT Directors

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 27 August 2010 in relation to the Rights Issue and the Bonus Issue for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號 BLINK 17字樓

27 August 2010

To the Independent Board Committee
and the Independent Shareholders of
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

PROPOSED RIGHT ISSUES IN THE PROPORTION OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AND TIME AT HK$0.207 PER RIGHTS SHARE (WITH THE BONUS ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee with respect to the Rights Issue and the Bonus Issue, details of which are set out in the letter from the Board contained in the Circular (the "**Board's Letter**"). Capitalised terms used in this letter shall have the same meanings ascribed to them in the circular of the Company dated 27 August 2010 (the "**Circular**") unless the context otherwise requires.

On 9 August 2010, the Company announced, among other things, that the WYT Board proposed to raise not less than approximately HK$301.06 million and not more than approximately HK$301.98 million, before expenses, by way of the Rights Issue of not less than 1,454,387,835 Rights Shares and not more than 1,458,861,835 Rights Shares at the Subscription Price of HK$0.207 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time, subject to the Capital Reorgansation becoming effective , and subject to the satisfaction of the conditions of the Rights Issue, to issue not less than 290,877,567 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 291,772,367 Bonus Shares by way of the Bonus Issue on the basis of two (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue.

Rich Time, an indirect wholly-owned subsidiary of Wang On, is interested in 527,009,324 Shares, representing approximately 7.25% of the existing issued share capital of the Company. Rich Time has given the Irrevocable Undertaking in favour of the Company and the Underwriter, amongst other things, that (a) it will subscribe for 105,401,860 Rights Shares (with Bonus Shares) which it will be entitled to pursuant to the terms of the Rights Issue; (b) the Shares or Adjusted Shares (as the case may be) comprising its current shareholding will remain registered in its name at Record Date and Time as they are on the date of the Irrevocable Undertaking; and (c) it will procure that the applications in respect of the 105,401,860 Rights Shares (with Bonus Shares) comprising its entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than 4:00 p.m. at the Latest Time For Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (d) it will apply, by way of excess application, for an additional 380,000,000 Rights Shares (with Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite not less than 968,985,975 Underwritten Shares and not more than 973,459,975 Underwritten Shares not taken up by the Qualifying Shareholders.

As the Rights Issue and the Bonus Issue are subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates will abstain from voting in favour of the relevant resolutions relating to the Rights Issue and the Bonus Issue at the SGM. As at the Latest Practicable Date, there is no controlling Shareholder. Accordingly, Ms. Tang (should she exercise her Share Options and become a Shareholder before the SGM) and her associates shall abstain from voting in favour of the resolutions relating to the Rights Issue and the Bonus Issue at the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue and the Bonus Issue. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Bonus Issue are fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole and advise the Independent Shareholders on how to vote.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and continued to be true and accurate at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations.

Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the WYT Group. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue and the Bonus Issue, we have taken into consideration the following principal factors and reasons:

Principal businesses of the WYT Group and reasons for the Rights Issue and the Bonus Issue

The WYT Group is principally engaged in (i) the 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; and (ii) the processing and sale of western pharmaceutical products under the brand names of "Madame Pearl's" and "Pearl's".

According to the annual report 2010 of the Company (the "**Annual Report 2010**") for the financial year ended 31 March 2010 ("**FY2010**"), the WYT Group recorded audited turnover and gross profit of approximately HK$529.3 million and approximately HK$252.4 million respectively for FY2010, representing an increases of approximately 6.7% and approximately 10.4% respectively as compared with those of the previous financial year. The increase in turnover was mainly attributable to the increases in sales of Chinese pharmaceutical products and Western pharmaceutical products of the WYT Group. The turnover attributable to Chinese pharmaceutical products and Western pharmaceutical products of the WYT Group for FY2010 amounted to approximately HK$372.4 million and approximately HK$135.3 million, representing increases of approximately 11.6% and 6.8% as compared to those of the previous financial year.

For FY2010, the WYT Group recorded audited profit attributable to equity owners of approximately HK$45.8 million, as compared with the loss attributable to equity owners of approximately HK$345.9 million for the previous financial year. As stated in the Annual Report 2010, the profit was mainly attributable to the share of profit of LeRoi Holdings Limited, being an associate of the Company, of approximately HK$31.8 million. It is also stated in the Annual Report 2010 that the WYT Group's operating results for the previous year were negatively affected by the 2008 financial tsunami, and with the economic revival in the second half of 2009, the WYT Group's operating results reported some growth during FY2010. As noted from the Annual Report 2010, the

WYT 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, and the WYT 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.

According to the Annual Report 2010, taking into account the assets classified as held for sale amounting to approximately HK$38.8 million and liabilities associated with the asset classified as held for sale amounting to approximately HK$11.0 million as at 31 March 2010, the WYT Group recorded audited net assets of approximately HK$1,105.1 million and audited net current assets of approximately HK$191.9 million as at 31 March 2010, with cash and bank balance of approximately HK$81.2 million (of which approximately HK$2.9 million is attributable to the asset classified as held for sale). As at 31 March 2010, the WYT Group's total borrowings amounted to approximately HK$51.9 million, including interest-bearing bank borrowings of approximately HK$48.6 million (of which approximately HK$0.2 million is attributable to the liabilities associated with assets classified as held for sale) and advances from minority shareholders of a subsidiary of approximately HK$3.3 million (which is attributable to the liabilities associated with the assets classified as held for sale). As mentioned in the Board's Letter, during the 12-month period before the Latest Practicable Date, the Company had conducted a placing of new Shares as announced on 12 April 2010 (the "**Placing**") for a net proceeds of approximately HK$61.5 million, and such net proceeds have been substantially utilised as to approximately HK$6.5 million for repayment of interest-bearing debts, approximately HK$21.0 million for purchase of retail premises and approximately HK$30.5 million for general working capital of the WYT Group (including settlement of creditors, rental payment, salaries payment and loan interest) as intended and the balance of the net proceeds of approximately HK$3.5 million is yet to be utilised.

By way of the Rights Issue, the WYT Group can strengthen its financial position by reducing the gearing and finance cost of the WYT Group and enhancing its liquidity for future business development and expand its capital base, and meanwhile, the Rights Issue and the Bonus Issue allows the Qualifying Shareholders to enjoy an equal opportunity to participate in the enlargement of the capital base of the Company and enables them to maintain their proportionate interests in the Company and continue to participate in the future development of the WYT Group should they wish to do so. In addition, the Bonus Issue would serve as an additional incentive for the Qualifying Shareholders to take part in the Rights Issue. The estimated net proceeds from the Rights Issue will be not less than approximately HK$292.04 million but not more than approximately HK$292.95 million. The WYT Board intends to apply such net proceeds as to (a) approximately HK$10 million for repayment of the Company's borrowings; (b) approximately HK$60 million for the expansion of the WYT Group's Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises or office premises in Hong Kong, PRC or elsewhere); (c) approximately HK$114.3 million for the Acquisition; and (d) the remaining balance of approximately HK$107.74 million for possible investment opportunities in the future and as general working capital. As at the Latest Practicable Date, no investment targets were identified by the WYT Group. In particular, the WYT Board considers that the intended use of the net proceeds from the Rights Issue for acquisitions of appropriate retail premises or office premises, including but not limited to the Acquisition, may enable the WYT Group to enlarge its investment property portfolio for saving rental expenses and/or generating rental income in the long term as well as benefiting from any possible appreciation of property value. For reference purpose, the Acquisition is subject to, among other things, the Shareholders' approval at the SGM and the completion of Rights Issue. Details of the Acquisition are set out in the Board's Letter. We, however, would like to state clearly that we envisage our role as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Bonus Issue, and our opinion obtained herein does not in any manner constitute, represent and/or imply our opinion and/or recommendation regarding the Acquisition, which is beyond the scope of our appointment.

Taking into account (i) the future strategies of the WYT Group to continue focusing 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, and to 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; (ii) the interest-bearing bank borrowings borne by the WYT Group; (iii) the net proceeds raised from the Placing had been substantially utilised for repayment of interest-bearing debts, purchase of retail premises and general working capital of the WYT Group as intended; and (iv) the intended use of proceeds for repayments of borrowings as well as possible acquisitions and investment opportunities as detailed above, in particular the intended use of the net proceeds from the Rights Issue for acquisitions of appropriate retail premises or office premises, including but not limited to the Acquisition, may enable the WYT Group to enlarge its investment property portfolio for saving rental expenses and/or generating rental income in the long term as well as benefiting from any possible appreciation of property value, we consider that the increase in the WYT Group's liquidity is beneficial to the WYT Group in enhancing its financial position and facilitating its future business development, in particular if and when suitable investment opportunities arise, and we are of the view that the Rights Issue is a feasible means to strengthen the financial position of the WYT Group and to enlarge the capital base of the Company, and is in the interests of the Company and the Shareholders as a whole.

Terms of the Rights Issue and the Bonus Issue

Pursuant to the terms of the Rights Issue and the Bonus Issue, subject to the Capital Reorganisation becoming effective, the Company will issue not less than 1,454,387,835 Rights Shares but not more than 1,458,861,835 Rights Shares at the Subscription Price of HK$0.207 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time and payable in full on acceptance on the Record Date. Subject to the satisfaction of the conditions of the Right Issue, the Bonus Shares will be issued to the First Registered Holders of Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue. Accordingly, the Bonus Shares to be issued under the Bonus Issue will not be less than 290,877,567 Bonus Shares and not more than 291,772,367 Bonus Shares. The Rights Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares.

(1) **The Subscription Price**

The Subscription Price of HK$0.207 per Rights Share represents:

(i) a discount of approximately 83.10% to the adjusted closing price of HK$1.225 per Adjusted Share, based on the closing price of HK$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(ii) a discount of approximately 83.10% to the adjusted average closing price of HK$1.225 per Adjusted Share, based in the average closing price of approximately HK$0.049 per Share as quoted in the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 35.91% to the theoretical ex-entitlement price of approximately HK$0.323 per Adjusted Share after the Rights Issue and the Bonus Issue, based on the closing price of HK$0.049 per Share as quoted in the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation (the "**Theoretical Ex-entitlement Price**");

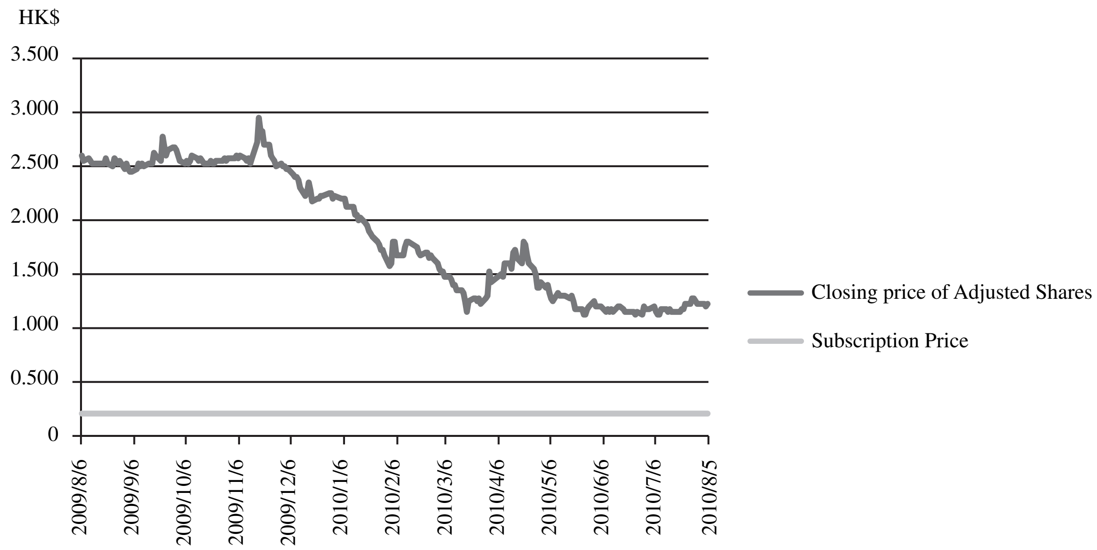
(iv) a discount of approximately 77.62% to the adjusted closing price of HK$0.925 per Adjusted Share, based on the closing price of HK$0.037 per Share as quoted in the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and

(v) a discount of approximately 94.84% to the unaudited net asset value per Adjusted Share of approximately HK$4.01 as at 31 March 2010 and adjusted for the effect of the Capital Reorganisation and taking into account of the net proceeds of approximately HK$61.5 million from the placing of Shares completed in April 2010.

As stated in the Board's Letter, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares and the prevailing market conditions. The Directors consider that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the WYT Group. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part in the Rights Issue.

Historical Share price performance

The graph below illustrates the closing price level of the Adjusted Shares (as adjusted for the effect of the Capital Reorganisation) during the period from 6 August 2009 to 5 August 2010 (being the 12-month period prior to the Last Trading Day) (the "**Review Period**"):



Data source: Website of the Stock Exchange (www.hkex.com.hk).

Note: Trading of the Shares was suspended from 14 August 2009 to 19 August 2009 and from 6 August 2010 to 9 August 2010.

During the Review Period, the adjusted closing price of the Adjusted Shares (as adjusted for the effect of the Capital Reorganisation) ranged from the lowest of HK$1.125 per Adjusted Share (based on the closing price of HK$0.045 per Share as quoted on the Stock Exchange on 25 May 2010, 26 May 2010, 7 July 2010 and 8 July 2010) to the highest of HK$2.950 per Adjusted Share (based on the closing price of HK$0.118 per Share as quoted on the Stock Exchange on 17 November 2009). We note that the closing price of the Shares had followed a general downward trend during the Review Period. We note that the Subscription Price represents discounts to the closing prices of the Adjusted Shares during the Review Period. The Subscription Price also represent a discount of 77.62% to the adjusted closing price of HK$0.925 per Adjusted Share, based on the closing price of HK$0.037 per Shares as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

Liquidity of the Shares

The average daily trading volume of the Adjusted Shares (as adjusted for the effect of the Capital Reorganisation) and its percentage to the total number of issued Shares for each of the months during the Review Period are set out below:

Historical trading volume of the Adjusted Shares

	Average daily trading volume (Adjusted Shares) (Approximately)	**Percentage to the total number of issued Adjusted Shares (Approximately)** *(Note 1)* *(%)*
2009		
August (from 6 August 2009 onwards)	2,363,065	0.812
September	2,517,570	0.866
October	1,358,197	0.467
November	3,305,658	1.136
December	4,468,291	1.536
2010		
January	7,543,183	2.593
February	4,278,816	1.471
March	15,791,311	5.429
April	22,712,537	7.808
May	3,983,238	1.369
June	2,049,030	0.704
July	2,207,793	0.759
August (up to the Last Trading Day)	2,676,514	0.920

Data source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Based on 290,877,567 Adjusted Shares in issue as at the Last Trading Day, as adjusted for the effect of the Capital Reorganisation.

2. Trading of the Shares was suspended on from 14 August 2009 to 19 August 2009 and from 6 August 2010 to 9 August 2010.

As illustrated in the table above, the trading volume of the Adjusted Shares during the Review Period is relatively low, with the highest average daily trading volume amounted to 22,712,537 Shares recorded in April 2010, representing approximately 7.808% of the total number of issued Adjusted Shares (as adjusted for the effect of the Capital Reorganisation) in issue as at the Last Trading Day.

Based on the historical Share price performance and relatively low liquidity of the Shares as illustrated above, we consider that the Rights Issue may be less attractive to the Independent Shareholders without offering a substantial discount of the Subscription Price to the market trading price of the Shares and the Bonus Issue would provide more incentives for the Qualifying Shareholders to participate in the Rights Issue.

Comparison with other rights issues

In order to assess the fairness and reasonableness of the Subscription Price, we have identified from the website of the Stock Exchange and reviewed, for reference purpose, the rights issues with fixed subscription price announced by other listed issuers on the Stock Exchange (the "**Comparables**") during the period from 6 May 2010 to 5 August 2010, being the three months prior to the Last Trading Day, details of which are set out in the following table. The Comparables are used to provide a general reference for the common market practice in recent rights issues, and the Independent Shareholders should take note of the differences amongst the Company and the Comparables, including but not limited to various nature and scope of business, size of operations, assets base and financial performance.

Date of announcement (2010)	Company (stock code)	Basis of entitlement	Discount of subscription price to share closing price on the Last Trading Day prior to release of the Announcement	Discount of subscription price to theoretical ex-entitlement price on the Last Trading Day prior to release of the Announcement	Maximum dilution	Underwriting commission
			%	%	%	%
17 May	TCC International Holdings Limited (1136)	1 for 2	(27.08)	(19.85)	33.33	2.25
6 June	Bank of Communications Company Limited (3328)	1.5 for 10	(37.20)	(34.00)	13.04	Not available
10 June	Radford Capital Investment Limited (901)	4 for 1	(61.54)	(24.24)	80.00	2.5
11 June	Playmates Toys Limited (869)	1 for 2	(38.14)	(29.08)	33.33	2.5
11 June	Genvon Group Limited (2389)	3 for 2	(35.60)	(18.00)	60.00	1.5
14 June	Global Bio-chem Technology Group Limited (809)	2 for 5	(50.00)	(42.00)	28.57	3.0 (plus a discretionary bonus of up to 0.5%)
6 July	Sau San Tong Holdings Limited (8200)	6 for 1	(83.33)	(41.18)	85.71	2.5
6 July	Great World Company Holdings Ltd (8003)	1 for 1	(61.54)	(44.44)	50.00	3.0

Date of announcement (2010)	Company (stock code)	Basis of entitlement	Discount of subscription price to share closing price on the Last Trading Day prior to release of the Announcement	Discount of subscription price to theoretical ex-entitlement price on the Last Trading Day prior to release of the Announcement	Maximum dilution	Underwriting commission
			%	%	%	%
8 July	China Star Entertainment Limited (326)	1 for 2	(12.28)	(8.26)	33.33	1.0
21 July	Ruyan Group (Holdings) Limited (329)	20 for 1	(90.83)	(32.06)	95.24	3.0
27 July	Unity Investments Holding Limited (913)	8 for 1	(73.13)	(23.22)	88.89	2.5
28 July	China Star Investment Holdings Limited (764)	3 for 1	(29.82)	(9.09)	75.00	1.0
9 August	**The Company**	**5 for 1 (with 1 Bonus Share for every 5 Rights Shares taken up)**	**(83.10)**	**(35.91)**	**85.71**	**2.5**

As noted from the table above, the subscription price of all of the Comparables was at discounts to the relevant share closing price on the last trading day prior to the release of the relevant announcement ranging from approximately 12.28% to 90.83% ("**Range I**") as well as to the relevant theoretical ex-entitlement price ranging from approximately 8.26% to 44.44% (the "**Range II**"). We note that the discounts represented by the Subscription Price to the closing price of the Adjusted Shares as at the Last Trading Day of approximately 83.10% and to the Theoretical Ex-entitlement Price of approximately 35.91% fall within Range I and Range II respectivley. In addition, taking into account the effect of the Bonus Issue, the effective Subscription Price would be HK$0.1725 per Rights Share (the "**Effective Subscription Price**"). The discount represented by the Effective Subscription Price to the closing price of the Adjusted Shares as at the Last Trading Day is approximately 85.92%, which fall within Range I. The discount represented by the Effective Subscription Price to the Theoretical Ex-entitlement Price is approximately 46.59%, which we consider does not deviate substantially from the highest discount of Range II.

Taking into account that (a) the weakening share price performance of the Shares under the prevailing market condition; (b) the relatively low liquidity of the trading in the Shares; (c) the discounts represented by the Subscription Price to the prevailing market prices of the Adjusted Shares and the Bonus Issue are offered to encourage the Qualifying Shareholders to participant in the Rights Issue; (d) the discounts represented by the Subscription Price to the closing price of the Adjusted Shares as at the Last Trading Day and to the Theoretical Ex-entitlement Price fall within Range I and Range II respectively; (e) the discounts represented by the Effective Subscription Price to the closing price of the Adjusted Shares as at the Last Trading Day and to the Theoretical ex-entitlement Price falls within Range I and does not deviate substantially from the highest discount of Range II respectively; and (f) the Rights Issue and the Bonus Issue allow the Qualifying Shareholders to enjoy an equal opportunity to participate in the enlargement of the capital base of the Company and enable them to maintain their proportionate interests in the Company and continue to participate in the future development of the WYT Group should they wish to do so as detailed above, we are of the view that the Subscription Price is fair and reasonable.

(2) **Underwriting commission**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite the Underwritten Shares for the commission calculated as 2.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares. With reference to the Comparables as set out above, it is noted that the underwriting commission ranges from 1.0% to 3% (plus a discretionary bonus of 0.5%), the underwriting commission of 2.5% under the Underwriting Agreement is line with common market practices and fair and reasonable.

(3) **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots. We are not aware of any abnormity regarding to entitlement of the Qualifying Shareholders to apply for excess Rights Shares under the Rights Issue which deviate substantially the common practices of rights issues in the market.

Alternative to the Rights Issue

We are advised that the Company have considered alternative means for the WYT Group to raise funds other than the Rights Issue, such as placing of new Shares and debt financing. By placing of new Shares, the existing Shareholders will not be able to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company should they wish to do so and will result in a dilution of existing Shareholders' interest in the Company. And by the Rights Issue, should the Shareholders decide not to take up the Rights Shares provisionally allotted to them, they can sell the nil-paid Rights Shares in the market for economic benefits. It is more appropriate means if the Shareholders should be at liberty to take up their entitlements. In addition, debt financing is not an appropriate means for the WYT Group to raise funds given the existing gearing level of the WYT Group and it is, in fact, the one of the intentions of the Company to proceed with equity financing so as to enable the WYT Group to reduce its borrowings and the related finance cost.

Potential dilution effect on the existing shareholdings of the Company

All Qualifying Shareholders are entitled to subscribe for the Rights Shares (with Bonus Shares). For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue and the Bonus Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue and the Bonus Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they take up their entitlements, their shareholding interests will be diluted. For illustration purpose, assuming no Qualifying Shareholders (except Rich Time) take up their entitlements under the Rights Issue, immediately after completion of the Rights Issue and the Bonus Issue, the shareholdings of Rich Time will be increased from 7.25% as at the Latest Practicable Date to 29.64%, while the aggregate shareholdings of the existing public Shareholders will be diluted from 92.75% as at the Latest Practicable Date to 13.25%. For details regarding the shareholdings of the Company before and immediately after the Rights Issue, please refer to the section headed "Changes in the shareholding structure of the Company arising from the Rights Issue" in the Board's Letter. With reference to the Comparables as set out above, the maximum dilution effect of the Comparables ranged from approximately 13.04% to approximately 95.24%. The maximum dilution effect of the Rights Issue of approximately 85.71% falls within such range. In addition, taking into account the Rights Issue and the Bonus Issue allows the Qualifying Shareholders to enjoy an equal opportunity to participate in the enlargement of the capital base of the Company and maintain their proportionate interests in the Company if they wish to do so, or in alternative, the Qualifying Shareholders may opt to sell the nil-paid Rights Shares in the market for economic benefits, we consider that the potential dilution effect on the existing shareholdings of the Company is fair and acceptable.

Financial effects of the Rights Issue and the Bonus Issue

With reference to the pro forma financial information of the WYT Group under Appendix IV to the Circular, the WYT Group had net tangible assets of the WYT Group of approximately HK$1,080.66 million as at 31 March 2010. Assuming the Rights Issue with the Bonus Issue had been completed as at 31 March 2010, the net tangible assets, the cash and bank balance and the working capital of the WYT Group would increase by not less than approximately HK$292.04 million and not more than approximately HK$292.95 million, being the net proceeds from the Rights Issue. However, Independent Shareholders should note that the effect of the Rights Issue and the Bonus Issue on the future financial position of the WYT Group will not be reflected until the actual results are published in the future.

RECOMMENDATION

Taking into consideration principal factors and reasons considered above, we consider that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders and the Company as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and advise the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue and the Bonus Issue at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the WYT Group for each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in the annual reports of WYT for the years ended 31 March 2008 (pages 22 to 91), 2009 (pages 24 to 97) and 2010 (pages 25 to 109) respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of WYT (www.wyth.net). The auditors of WYT have not issued any qualified opinion on the WYT Group's financial statements for the financial years ended 31 March 2008, 2009 and 2010.

2. INDEBTEDNESS OF THE ENLARGED WYT GROUP

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged WYT Group had outstanding bank loans of approximately HK$69.4 million, of which approximately HK$68.7 million were secured by the investment property and prepaid lease payments and buildings of the Enlarged WYT Group with carrying amount of approximately HK$125.0 million and HK$56.5 million respectively.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged WYT Group did not have outstanding at the close of business on 31 July 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE ENLARGED WYT GROUP

The Directors are of the opinion that, taking into account the present available financial resources and the present available banking facilities, the Enlarged WYT Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the WYT Directors were not aware of any material adverse change in the financial or trading position of the Enlarged WYT Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the WYT Group were made up.

1. ACCOUNTANTS' REPORT OF FULL GAINER

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Chartered Accountants, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Full Gainer for the years ended 31 March 2008, 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with its shares being listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 27 August 2010 in connection with the major transaction relating to proposed acquisition of the entire interests of Full Gainer (the "Circular").

Full Gainer was established as a private company with limited liability in Hong Kong on 11 June 2004.

The financial year-end date of Full Gainer is 31 March. The statutory financial statements of Full Gainer (the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance for the year ended 31 March 2008 was audited by Frank Tsoi & Company Certified Public Accountants and for the years ended 31 March 2009 and 2010 were audited by FTO CPA Limited.

We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Full Gainer for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of Full Gainer, who approved their issue. The directors of Wai Yuen Tong Medicine Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Full Gainer as at 31 March 2008, 2009 and 2010 of the results and cash flows of Full Gainer for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Revenue		—	—	230,516
Other income		155	13	900,001
Administrative and other expenses		(9,455)	(9,555)	(60,932)
Interest on bank borrowings not wholly repayable within five years		—	—	(132,294)
Increase in fair value of investment property		—	—	2,865,824
(Loss) profit before tax	9	(9,300)	(9,542)	3,803,115
Income tax expense	10	—	—	(594,954)
(Loss) profit and total comprehensive (expense) income for the year		(9,300)	(9,542)	3,208,161
(Loss) earnings per share	11			
Basic		(9,300)	(9,542)	3,208,161

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 March 2008 *HK$*	2009 *HK$*	2010 *HK$*
Non-current asset				
Investment property	12	—	—	34,500,000
Current assets				
Amount due from ultimate holding company	13	753,407	747,407	—
Bank balances		12,960	9,523	580,951
		766,367	756,930	580,951
Current liabilities				
Other payables		6,000	6,000	55,014
Rental deposit from a related company		—	—	180,000
Amount due to immediate holding company	14	584,751	584,751	10,438,719
Amount due to an intermediate holding company	14	5,350	5,350	—
Amounts due to fellow subsidiaries	14	206,621	206,726	—
Tax payable		—	—	88,653
Secured bank borrowings	15	—	—	1,400,000
		802,722	802,827	12,162,386
Net current liabilities		(36,355)	(45,897)	(11,581,435)
Total assets less current liabilities		(36,355)	(45,897)	22,918,565
Non-current liabilities				
Secured bank borrowings	15	—	—	19,250,000
Deferred tax liabilities	16	—	—	506,301
		—	—	19,756,301
		(36,355)	(45,897)	3,162,264
Capital and reserve				
Share capital	17	1	1	1
(Accumulated losses) retained profit		(36,356)	(45,898)	3,162,263
		(36,355)	(45,897)	3,162,264

STATEMENTS OF CHANGES IN EQUITY

	Share capital	(Accumulated losses) retained profit	Total
	HK$	*HK$*	*HK$*
At 1 April 2007	1	(27,056)	(27,055)
Loss and total comprehensive expense for the year	—	(9,300)	(9,300)
At 31 March 2008 and 1 April 2008	1	(36,356)	(36,355)
Loss and total comprehensive expense for the year	—	(9,542)	(9,542)
At 31 March 2009 and 1 April 2009	1	(45,898)	(45,897)
Profit and total comprehensive income for the year	—	3,208,161	3,208,161
At 31 March 2010	1	3,162,263	3,162,264

STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
(Loss) profit before tax	(9,300)	(9,542)	3,803,115
Adjustments for:			
Interest on bank borrowings not wholly repayable within five years	—	—	132,294
Interest income	(155)	(13)	(1)
Increase in fair value of investment property	—	—	(2,865,824)
Operating cash flows before movements in working capital	(9,455)	(9,555)	1,069,584
Increase in other payables	—	—	49,014
Increase in rental deposit from a related company	—	—	180,000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(9,455)	(9,555)	1,298,598
INVESTING ACTIVITIES			
Interest received	155	13	1
Purchase of investment property	—	—	(31,634,176)
Repayment from ultimate holding company	6,000	6,000	747,407
NET CASH FROM (USED IN) INVESTING ACTIVITIES	6,155	6,013	(30,886,768)
FINANCING ACTIVITIES			
Advances from (repayments to) fellow subsidiaries	105	105	(206,726)
New bank borrowings raised	—	—	21,000,000
Advance from immediate holding company	—	—	9,853,968
Repayment of bank borrowings	—	—	(350,000)
Interest paid	—	—	(132,294)
Repayment to an intermediate holding company	—	—	(5,350)
NET CASH FROM FINANCING ACTIVITIES	105	105	30,159,598
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,195)	(3,437)	571,428
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,155	12,960	9,523
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	12,960	9,523	580,951

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Full Gainer is a private limited company incorporated in Hong Kong. Its immediate holding is East Run Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wang On Group Limited ("Wang On"), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of Full Gainer are 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

Full Gainer is engaged in the business of property investment.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of Full Gainer.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Wang On has agreed to provide adequate funds to enable Full Gainer to meet in full its financial obligations as they fall due for a period of at least 12 months from the end of the reporting periods.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Full Gainer has consistently applied all of the new and revised Hong Kong Accounting Standards, HKFRSs, amendments and interpretations issued by the HKICPA, which are effective for the financial year beginning on 1 April 2009 throughout the Relevant Periods.

At the date of this report, Full Gainer has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in the preparation of the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]

HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 July 2010 and 1 January 2011, as appropriate

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

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

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

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

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

The directors of Full Gainer anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment property, which is measured at fair value, as explained in the accounting policies set out below. In addition, the Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at the fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Impairment

At the end of each reporting period, Full Gainer reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from the profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Full Gainer's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Full Gainer expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Full Gainer as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Full Gainer becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Full Gainer's financial assets comprise loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from ultimate holding company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Full Gainer are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Full Gainer after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables, amounts due to immediate holding company, amount due to an intermediate holding company and fellow subsidiaries and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Full Gainer are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Full Gainer has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

Full Gainer manages its capital to ensure that Full Gainer will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remained unchanged during the Relevant Periods

The capital structure of Full Gainer consists of net debt, which includes secured bank borrowings disclosed in note 15 and amounts due to immediate holding company, an intermediate holding company and fellow subsidiaries, net of cash and cash equivalents and equity attributable to owners of Full Gainer, comprising issued share capital and retained profit.

The directors of Full Gainer review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, Full Gainer will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables (including cash and cash equivalents)	766,367	756,930	580,951
Financial liabilities			
Amortised cost	796,722	796,827	31,143,733

b. Financial risk management objectives and policies

Full Gainer's major financial instruments include amount due from ultimate holding company, bank balances, other payables, amounts due to immediate holding company, an intermediate holding company and fellow subsidiaries and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Full Gainer is exposed to cash flow interest rate risk in relation to Full Gainer's bank borrowings with floating interest rates. It is Full Gainer's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Full Gainer currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Full Gainer's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. Full Gainer's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from Full Gainer's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held contract, Full Gainer's profit for the year ended 31 March 2010 would decrease/increase by approximately HK$86,000. There is no significant interest rate risk for the years ended 31 March 2008 and 2009. Therefore, no sensitivity analysis is prepared.

Liquidity risk

In the management of the liquidity risk, Full Gainer monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Full Gainer's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

Full Gainer has net current liabilities of approximately HK$36,000, HK$46,000 and HK$11,581,000 as at 31 March 2008, 2009 and 2010, respectively. It is currently dependent upon the continuing financial support from Wang On, which has agreed to provide adequate financial support to enable Full Gainer to meet its financial obligations in full as they fall due for the foreseeable future. In this regard, the directors of Full Gainer consider that Full Gainer's liquidity risk has been reduced.

Liquidity and interest risk tables

The following table details Full Gainer's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Full Gainer can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 March 2010								
Other payables	—	—	55,014	—	—	—	55,014	55,014
Amount due to immediate holding company	—	10,438,719	—	—	—	—	10,438,719	10,438,719
Secured Bank borrowings	1.46	—	528,269	1,584,807	6,551,258	14,247,618	22,911,952	20,650,000
		10,438,719	583,283	1,584,807	6,551,258	14,247,618	33,405,685	31,143,733

At 31 March 2008 and 2009, all financial liabilities of Full Gainer are non-interest bearing and are repayable on demand. Accordingly, no liquidity risk analysis is presented.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimate of interest rate determined at the end of the reporting period.

Credit risk

Full Gainer's principal financial assets are amount due from ultimate holding company and bank balances.

As at 31 March, 2008, 2009 and 2010, Full Gainer's maximum exposure to credit risk which will cause a financial loss to Full Gainer due to failure to discharge obligation by the counterparties or debtors is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position. Full Gainer has concentration of credit risk in amount due from ultimate holding company. In order to minimise the credit risk, Full Gainer reviews the recoverable amount of amount due from ultimate holding company at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Full Gainer consider that Full Gainer's credit risk is significant reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values.

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of Full Gainer that are regularly reviewed by the chief operating decision maker, the directors of Full Gainer, for the purpose of allocating resources and assessing performance. During the Relevant Periods, Full Gainer is a property investment company and holding an investment property (note 12). The chief operating decision maker reviews the management accounts of Full Gainer for the purpose of resources allocation and performance assessment. Accordingly, the operation of Full Gainer is regarded as a single operating segment.

One operating segment is presented to the chief operating decision maker. The segment revenue was HK$230,516 for the year ended 31 March 2010 and segment results were loss of HK$9,300, loss of HK$9,542 and profit of HK$3,208,161 for the years ended 31 March 2008, 2009 and 2010, respectively, as shown in the statement of comprehensive income on page II-2. The segment total assets were HK$766,367, HK$756,930 and HK$35,080,951, and the segment total liabilities were HK$802,722, HK$802,827 and HK$31,918,687 as at 31 March 2008, 2009 and 2010, respectively.

The total revenue is derived from one tenant located in Hong Kong.

As at 31 March 2010, non-current asset of HK$34,500,000 was located in Hong Kong.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no fees and other emoluments are paid or payable to Ms. Tang Mui Fun, Mr. Chan Chun Hong and Ms. Chim Lai Fun, directors of Full Gainer.

No charge is recognised in the statement of comprehensive income since the amount of emoluments on the director services allocated by Wang On to Full Gainer is considered insignificant during the Relevant Periods.

(b) Employees' emoluments

No five highest paid individuals is presented as no employees are employed by Full Gainer during the Relevant Periods.

9. (LOSS) PROFIT BEFORE TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
(Loss) profit before tax has been arrived at after charging (crediting):			
Directors' remuneration	—	—	—
Other staff costs *(Note)*	—	—	26,278
Retirement benefit scheme contributions *(Note)*	—	—	6,439
	—	—	32,717
Auditor's remuneration	6,000	6,000	6,000
Gross rental income from a fellow subsidiary	—	—	(230,516)
Less: outgoings	—	—	14,993
	—	—	(215,523)
Compensation received from tenant (included in other income)	—	—	(900,000)

Note: For the year ended 31 March 2010, Full Gainer obtained services from staff of a fellow subsidiary and thus the relevant staff costs were being allocated from the fellow subsidiary to Full Gainer.

10. INCOME TAX EXPENSE

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
The income tax expense comprises:			
Hong Kong Profits Tax	—	—	88,653
Deferred taxation *(note 16)*	—	—	506,301
	—	—	594,954

No provision for Hong Kong Profits Tax has been made by Full Gainer in the Financial Information for the years ended 31 March 2008 and 2009 as Full Gainer has no assessable profits for the years.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2008 and 16.5% for the years ended 31 March 2009 and 2010.

The income tax expense for the Relevant Periods can be reconciled to the (loss) profit before tax per the statement of comprehensive income as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
(Loss) profit before tax	(9,300)	(9,542)	3,803,115
Tax at the Hong Kong Profits Tax rate (2008: 17.5%; 2009 and 2010: 16.5%)	(1,628)	(1,575)	627,514
Tax effect of expenses not deductible for tax purposes	1,655	1,577	—
Tax effect of income not taxable for tax purposes	(27)	(2)	—
Others	—	—	(32,560)
Income tax expense for the year	—	—	594,954

11. (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the (loss) earnings for the Relevant Periods attributable to the equity owner of Full Gainer of loss of HK$9,300, loss of HK$9,542 and profit of HK$3,208,161 for the years ended 31 March 2008, 2009 and 2010, respectively, over a weighted average number of 1 ordinary share of Full Gainer during the Relevant Periods. No diluted (loss) earnings per share is presented as Full Gainer had no potential ordinary shares outstanding during the Relevant Periods.

12. INVESTMENT PROPERTY

	HK$
VALUATION	
At 1 April 2007, 31 March 2008, 1 April 2008, 31 March 2009 and 1 April 2009	—
Addition	31,634,176
Increase in fair value recognised in profit or loss	2,865,824
At 31 March 2010	34,500,000

The investment property at the end of the reporting period was held under medium-term lease in Hong Kong.

The fair value of Full Gainer's investment property at 31 March 2010 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited. The valuer, which is member of Institute of Valuers, is independent qualified professional valuer not connected with Full Gainer. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

13. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

15. SECURED BANK BORROWINGS

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Bank borrowings	—	—	20,650,000
The above bank borrowings are repayable as follows:			
On demand or within one year	—	—	1,400,000
More than one year, but not exceeding two years	—	—	1,400,000
More than two years, but not exceeding five years	—	—	4,200,000
More than five years	—	—	13,650,000
	—	—	20,650,000
Less: Amount due within one year shown under current liabilities	—	—	(1,400,000)
Amount due after one year	—	—	19,250,000

The effective interest rate per annum (which is also equal to contracted interest rate) of Full Gainer's variable-rate borrowings is 1.3% over 3-month HIBOR at 31 March 2010.

At 31 March 2010, Full Gainer's bank borrowings are secured by its investment property, which has a carrying amount of HK$34,500,000.

16. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment property	Accelerated tax depreciation	Total
	HK$	*HK$*	*HK$*
At 1 April 2007, 31 March 2008, 1 April 2008, 31 March 2009 and 1 April 2009	—	—	—
Charge to profit or loss	472,861	33,440	506,301
At 31 March 2010	472,861	33,440	506,301

17. SHARE CAPITAL

	Authorised At 31 March 2008, 2009 and 2010	Issued and fully paid At 31 March 2008, 2009 and 2010
	HK$	*HK$*
Ordinary shares of HK$1 each	10,000	1

18. OPERATING LEASE ARRANGEMENTS

Full Gainer as lessor

Property rental income earned for the year ended 31 March 2010, net of outgoings, was HK$215,523. No property rental income was earned for the years ended 31 March 2008 and 2009.

At the end of the reporting period, Full Gainer had contracted with tenants for future minimum lease payments, which fall due:

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Within one year	—	—	1,080,000
In the second to fifth years inclusive	—	—	2,045,110
	—	—	3,125,110

Operating lease payments represents rental receivable by Full Gainer for its premise. Leases are negotiated and fixed for an average of three years.

19. SHARE OPTION SCHEME

Wang On operates a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to eligible participants, including any director of Full Gainer. The Scheme became effective on 3 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Options granted under the Scheme are normally exercisable between the first and tenth anniversaries of the date of grant subject to an vesting condition that the eligible participant remains a director of Full Gainer for a period of usually one to two years from the date of grant.

The following table discloses movements of Wang On's share options granted under the Scheme during the year ended 31 March 2008:

Date of grant	Exercise price per share HK$ (Note)	Exercisable period	Number of options: Outstanding at 1.4.2007	Granted during the year	Adjustments made during the year (Note)	Outstanding at 31.3.2008
Director						
Chan Chun Hong						
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	1,300,000	—	1,300,000
Chim Lai Fun						
1.3.2007	0.1425	1.3.2007 to 28.2.2017	2,200,000	—	41,800,000	44,000,000
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	400,000	—	400,000
			2,200,000	400,000	41,800,000	44,400,000
			2,200,000	1,700,000	41,800,000	45,700,000
Exercisable at the end of the year			2,200,000			44,000,000

The following tables disclose movements of the Wang On's share options granted under the Scheme during the year ended 31 March 2009:

Date of grant	Exercise price per share HK$ *(Note)*	Exercisable period	Number of options: Outstanding at 1.4.2008	Granted during the year	Adjustments made during the year *(Note)*	Outstanding at 31.3.2009
Director						
Chan Chun Hong						
2.1.2008	4.1750	2.1.2009 to 1.1.2013	1,300,000	—	(1,248,000)	52,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	2,600,000	(2,496,000)	104,000
			1,300,000	2,600,000	(3,744,000)	156,000
Chim Lai Fun						
1.3.2007	3.5625	1.3.2007 to 28.2.2017	44,000,000	—	(42,240,000)	1,760,000
2.1.2008	4.1750	2.1.2009 to 1.1.2013	400,000	—	(384,000)	16,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	800,000	(768,000)	32,000
			44,400,000	800,000	(43,392,000)	1,808,000
			45,700,000	3,400,000	(47,136,000)	1,964,000
Exercisable at the end of the year			44,000,000			1,780,400

The following tables disclose movements of the Wang On's share options granted under the Scheme during the year ended 31 March 2010:

Date of grant	Exercise price per share HK$ (Note)	Exercisable period	Number of options: Outstanding at 1.4.2009	Number of options: Adjustments made during the year (Note)	Number of options: Outstanding at 31.3.2010
Director					
Chan Chun Hong					
2.1.2008	1.7462	2.1.2009 to 1.1.2013	52,000	72,323	124,323
8.1.2009	0.2823	8.1.2010 to 7.1.2019	104,000	144,654	248,654
			156,000	216,977	372,977
Chim Lai Fun					
1.3.2007	1.4900	1.3.2007 to 28.2.2017	1,760,000	2,447,951	4,207,951
2.1.2008	1.7462	2.1.2009 to 1.1.2013	16,000	22,254	38,254
8.1.2009	0.2823	8.1.2010 to 7.1.2019	32,000	44,513	76,513
			1,808,000	2,514,718	4,322,718
			1,964,000	2,731,695	4,695,695
Exercisable at the end of the year			1,780,400		4,403,045

Note: Details of the adjustments on exercise price per share and the number of options during the Relevant Periods can refer to the 2008, 2009 and 2010 annual reports of Wang On.

The options granted under the Scheme vest as follows:

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

No charge is recognised in profit or loss since the amount of share options expenses on the director services allocated by Wang On to Full Gainer is considered insignificant during the Relevant Periods.

20. RELATED PARTY DISCLOSURES

(a) Full Gainer received rental income from a related company, which is a subsidiary of Wai Yuen Tong Medicine Holdings Limited ("Wai Yuen Tong") (note), amounting to HK$26,129 for the year ended 31 March 2010.

(b) Full Gainer paid management fee to a fellow subsidiary amounting to HK$8,450 for the year ended 31 March 2010.

(c) The rental deposit from a related company represents the amount received from a subsidiary of Wai Yuen Tong (note).

(d) Details of the balances with related parties as at the end of the reporting periods are set out in the statement of financial position on page II-3 and in notes 13 and 14.

(e) Corporate guarantee is given by Wang On in respect of the secured bank borrowings set out in note 15.

Note: As at 31 March 2008 and 2009, Wang On held interest in an associate, Wai Yuen Tong, and was in a position to exercise significant influence over Wai Yuen Tong. During the year ended 31 March 2010, Wang On's interest in Wai Yuen Tong was diluted as a result of the issue of new shares by Wai Yuen Tong. Since then, Wang On ceased to exercise significant influence over Wai Yuen Tong and remained as a shareholder of Wai Yuen Tong. Mr. Chan Chun Hong, a director of Full Gainer, is also the director of Wai Yuen Tong during the Relevant Periods.

B. SUBSEQUENT EVENTS

No significant event took place subsequent to 31 March 2010.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Full Gainer have been prepared in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. ACCOUNTANTS' REPORT OF GRAND QUALITY

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Chartered Accountants, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Grand Quality for the years ended 31 March 2008, 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with its shares being listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 27 August 2010 in connection with the major transaction relating to the proposed acquisition of the entire interests of Grand Quality (the "Circular").

Grand Quality was established as a private company with limited liability in Hong Kong on 17 January 1997.

The financial year-end date of Grand Quality is 31 March. The statutory financial statements of Grand Quality (the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance for the year ended 31 March 2008 were audited by Frank Tsoi & Company Certified Public Accountants and for the years ended 31 March 2009 and 2010 were audited by FTO CPA Limited.

We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Grand Quality for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of Grand Quality, who approved their issue. The directors of Wai Yuen Tong Medicine Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Grand Quality as at 31 March 2008, 2009 and 2010 of the results and cash flows of Grand Quality for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Revenue		276,774	1,560,000	1,560,000
Other income		122	—	—
Administrative and other expenses		(158,842)	(615,381)	(93,622)
Interest on loan from ultimate holding company		(100,417)	(630,181)	(363,533)
(Decrease) increase in fair value of investment property		(1,085,800)	477,540	8,500,000
(Loss) profit before tax	9	(1,068,163)	791,978	9,602,845
Income tax credit (expense)	10	190,015	—	(395,436)
(Loss) profit and total comprehensive (expense) income for the year		(878,148)	791,978	9,207,409
(Loss) earnings per share	11			
Basic		(439,074)	395,989	4,603,705

STATEMENTS OF FINANCIAL POSITION

		At 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Non-current assets				
Investment property	12	27,000,000	27,500,000	36,000,000
Deferred tax assets	15	190,015	190,015	—
		27,190,015	27,690,015	36,000,000
Current assets				
Other receivables		3,902	3,902	3,902
Amount due from a fellow subsidiary	13	432,142	—	—
Bank balances		290,393	190,536	70,537
		726,437	194,438	74,439
Current liabilities				
Other payables		822,933	12,050	13,469
Rental deposit from a related company		260,000	260,000	260,000
Amount due to ultimate holding company	14	9,300,775	11,140,956	—
Amount due to immediate holding company	14	7,471,392	6,676,442	33,534,810
Amount due to a fellow subsidiary	14	—	141,675	—
Loan from ultimate holding company	14	18,000,000	16,800,000	—
		35,855,100	35,031,123	33,808,279
Net current liabilities		(35,128,663)	(34,836,685)	(33,733,840)
Total assets less current liabilities		(7,938,648)	(7,146,670)	2,266,160
Non-current liability				
Deferred tax liabilities	15	—	—	205,421
		(7,938,648)	(7,146,670)	2,060,739
Capital and reserve				
Share capital	16	2	2	2
(Accumulated losses) retained profit		(7,938,650)	(7,146,672)	2,060,737
		(7,938,648)	(7,146,670)	2,060,739

STATEMENTS OF CHANGES IN EQUITY

	Share capital	**(Accumulated losses) retained profit**	**Total**
	HK$	*HK$*	*HK$*
At 1 April 2007	2	(7,060,502)	(7,060,500)
Loss and total comprehensive expense for the year	—	(878,148)	(878,148)
At 31 March 2008 and 1 April 2008	2	(7,938,650)	(7,938,648)
Profit and total comprehensive income for the year	—	791,978	791,978
At 31 March 2009 and 1 April 2009	2	(7,146,672)	(7,146,670)
Profit and total comprehensive income for the year	—	9,207,409	9,207,409
At 31 March 2010	2	2,060,737	2,060,739

STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
(Loss) profit before tax	(1,068,163)	791,978	9,602,845
Adjustments for:			
Interest on loan from ultimate holding company	100,417	630,181	363,533
Decrease (increase) in fair value of investment property	1,085,800	(477,540)	(8,500,000)
Operating cash flows before movements in working capital	118,054	944,619	1,466,378
Increase in other receivables	(3,902)	—	—
Increase (decrease) in other payables	812,933	(810,883)	1,419
Increase in rental deposit from a related company	260,000	—	—
NET CASH FROM OPERATING ACTIVITIES	1,187,085	133,736	1,467,797
INVESTING ACTIVITIES			
Additions to an investment property	(28,085,800)	(22,460)	—
Repayment from a fellow subsidiary	131,971	432,142	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(27,953,829)	409,682	—
FINANCING ACTIVITIES			
Loan from ultimate holding company	18,000,000	—	—
Advance from (repayment to) immediate holding company	7,429,023	(794,950)	26,858,368
Advance from (repayment to) ultimate holding company	1,709,766	640,181	(27,940,956)
Interest paid	(100,417)	(630,181)	(363,533)
Advance from (repayment to) a fellow subsidiary	—	141,675	(141,675)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	27,038,372	(643,275)	(1,587,796)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	271,628	(99,857)	(119,999)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	18,765	290,393	190,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	290,393	190,536	70,537

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Grand Quality is a private limited company incorporated in Hong Kong. Its immediate holding company is East Run Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wang On Group Limited ("Wang On"), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of Grand Quality are 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

Grand Quality is engaged in the business of property investment.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of Grand Quality.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Wang On has agreed to provide adequate funds to enable Grand Quality to meet in full its financial obligations as they fall due for a period of at least 12 months from the end of the reporting periods.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Grand Quality has consistently applied all of the new and revised Hong Kong Accounting Standards, HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 April 2009 throughout the Relevant Periods.

At the date of this report, Grand Quality has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in the preparation of the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]

HKFRS 9	Financial Instruments[8]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 July 2010 and 1 January 2011, as appropriate

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

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

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

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

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

The directors of Grand Quality anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment property, which is measured at fair value, as explained in the accounting policies set out below. In addition, the Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at the fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Impairment

At the end of each reporting period, Grand Quality reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from the profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Grand Quality's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Grand Quality expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Grand Quality as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Grand Quality becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Grand Quality's financial assets comprise loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amount due from a fellow subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Grand Quality are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Grand Quality after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including amounts due to ultimate holding company, immediate holding company and a fellow subsidiary, and loan from ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Grand Quality are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Grand Quality has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

Grand Quality manages its capital to ensure that Grand Quality will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remained unchanged during the Relevant Periods.

The capital structure of Grand Quality consists of net debt, which includes amounts due to ultimate holding company, immediate holding company and a fellow subsidiary, and loan from ultimate holding company, net of cash and cash equivalents and equity attributable to owners of Grand Quality, comprising issued share capital and retained profit.

The directors of Grand Quality review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, Grand Quality will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables (including cash and cash equivalents)	726,437	194,438	74,439
Financial liabilities			
Amortised cost	34,772,167	34,759,073	33,534,810

b. Financial risk management objectives and policies

Grand Quality's major financial instruments include other receivables, amount due from a fellow subsidiary, bank balances, amounts due to ultimate holding company, immediate holding company and a fellow subsidiary, and loan from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Grand Quality is exposed to cash flow interest rate risk in relation to Grand Quality's loan from ultimate holding company with floating interest rates. It is Grand Quality's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Grand Quality currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Grand Quality's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. Grand Quality's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from Grand Quality's loan from ultimate holding company.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate loan from ultimate holding company. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held contract, Grand Quality's loss for the year ended 31 March 2008 would increase/decrease by approximately HK$74,000 and profit for the year ended 31 March 2009 would decrease/increase by approximately HK$70,000. There is no significant interest rate risk for the year ended 31 March 2010. Therefore, no sensitivity analysis is prepared.

Liquidity risk

In the management of the liquidity risk, Grand Quality monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Grand Quality's operations and mitigate the effects of fluctuations in cash flows.

Grand Quality has net current liabilities of approximately HK$35,129,000 and HK$34,837,000 and HK$33,734,000 as at 31 March 2008, 2009 and 2010, respectively. It is currently dependent upon the continuing financial support from the ultimate holding company, which has agreed to provide adequate financial support to enable Grand Quality to meet its financial obligations in full as they fall due for the foreseeable future. In this regard, the directors of Grand Quality consider that Grand Quality's liquidity risk has been reduced.

Liquidity and interest risk tables

The following table details Grand Quality's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Grand Quality can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$	HK$	HK$	HK$	HK$
As at 31 March 2008						
Amount due to ultimate holding company	—	9,300,775	—	—	9,300,775	9,300,775
Amount due to an immediate holding company	—	7,471,392	—	—	7,471,392	7,471,392
Loan from ultimate holding company	3.75	—	444,108	20,240,935	20,685,043	18,000,000
		16,772,167	444,108	20,240,935	37,457,210	34,772,167
As at 31 March 2009						
Amount due to ultimate holding company	—	11,140,956	—	—	11,140,956	11,140,956
Amount due to an immediate holding company	—	6,676,442	—	—	6,676,442	6,676,442
Amount due to a fellow subsidiary	—	141,675	—	—	141,675	141,675
Loan from ultimate holding company	2.6	—	426,580	18,029,573	18,456,153	16,800,000
		17,959,073	426,580	18,029,573	36,415,226	34,759,073

At 31 March 2010, all financial liabilities of Grand Quality are non-interest bearing and are repayable on demand. Accordingly, no liquidity risk analysis is presented.

Credit risk

Grand Quality's principal financial assets are amount due from a fellow subsidiary and bank balances.

As at 31 March, 2008, 2009 and 2010, Grand Quality's maximum exposure to credit risk which will cause a financial loss to Grand Quality due to failure to discharge obligation by the counterparties or debtors is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position. Grand Quality has concentration of credit risk in amount due from a fellow subsidiary. In order to minimise the credit risk, Grand Quality reviews the recoverable amount of amount due from a fellow subsidiary at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Grand Quality consider that Grand Quality's credit risk is significant reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values.

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of Grand Quality that are regularly reviewed by the chief operating decision maker, the directors of Grand Quality, for the purpose of allocating resources and assessing performance. During the Relevant Periods, Grand Quality is a property investment company and holding an investment property (note 12). The chief operating decision maker reviews the management accounts of Grand Quality for the purpose of resources allocation and performance assessment. Accordingly, the operation of Grand Quality is regarded as a single operating segment.

One operating segment is presented to the chief operating decision maker. The segment revenue were HK$276,774, HK$1,560,000 and HK$1,560,000 and segment results were loss of HK$878,148, profit of HK$791,978 and profit of HK$9,207,409 for the years ended 31 March 2008, 2009 and 2010, respectively, as shown in the statement of comprehensive income on page II-26. The segment total assets were HK$27,916,452, HK$27,884,453 and HK$36,074,439, and the segment total liabilities were HK$35,855,100, HK$35,031,123 and HK$34,013,700 as at 31 March 2008, 2009 and 2010, respectively.

The total revenue is derived from one tenant located in Hong Kong.

As at 31 March 2008, 2009 and 2010, non-current assets of HK$27,000,000, HK$27,500,000 and HK$36,000,000 respectively, were located in Hong Kong.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no fees and other emoluments are paid or payable to Ms. Tang Mui Fun, Mr. Chan Chun Hong and Ms. Chim Lai Fun, directors of Grand Quality.

No charge is recognised in the statement of comprehensive income since the amount of emoluments on the director services allocated by Wang On to Grand Quality is considered insignificant during the Relevant Periods.

(b) Employees' emoluments

No five highest paid individuals emoluments are presented as no employees are employed by Grand Quality during the Relevant Periods.

9. (LOSS) PROFIT BEFORE TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
(Loss) profit before tax has been arrived at after charging (crediting):			
Directors' remuneration	—	—	—
Other staff cost *(note)*	103,642	490,928	26,278
Retirement benefit scheme contributions *(note)*	6,477	4,783	6,439
	110,119	495,711	32,717
Auditor's remuneration	10,000	12,000	12,000
Gross rental income	(276,774)	(1,560,000)	(1,560,000)
Less: outgoings	9,542	25,965	38,499
	(267,232)	(1,534,035)	(1,521,501)

Note: During the Relevant Periods, Grand Quality obtained services from staff of a fellow subsidiary and thus the relevant staff costs were being allocated from the fellow subsidiary to Grand Quality.

10. INCOME TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
The income tax (credit) expense comprises:			
Deferred taxation *(note 15)*	(190,015)	—	395,436

No provision for Hong Kong Profits Tax has been made by Grand Quality in the Financial Information for the years ended 31 March 2008, 2009 and 2010 as Grand Quality has no assessable profits for the years.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2008 and 16.5% for the years ended 31 March 2009 and 2010.

The income tax (credit) expense for the Relevant Periods can be reconciled to the (loss) profit before tax per the statement of comprehensive income as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
(Loss) profit before tax	(1,068,163)	791,978	9,602,845
Tax at the Hong Kong Profits Tax rate (2008: 17.5%; 2009 and 2010: 16.5%)	(186,929)	130,676	1,584,469
Effect of change in tax rate	—	10,858	—
Recognition of deductible temporary differences previously not recognised	—	(57,200)	(1,264,164)
Others	(3,086)	(84,334)	75,131
Income tax (credit) expense for the year	(190,015)	—	395,436

11. (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the (loss) earnings for the Relevant Periods attributable to the owner of Grand Quality of loss of HK$878,148, profit of HK$791,978 and profit of HK$9,207,409 for the years ended 31 March 2008, 2009 and 2010, respectively, over a weighted average number of 2 ordinary shares of Grand Quality during the Relevant Periods. No diluted (loss) earnings per share is presented as Grand Quality had no potential ordinary shares outstanding during the Relevant Periods.

12. INVESTMENT PROPERTY

	HK$
VALUATION	
At 1 April 2007	—
Additions	28,085,800
Decrease in fair value recognised in profit or loss	(1,085,800)
At 31 March 2008 and 1 April 2008	27,000,000
Additions	22,460
Increase in fair value recognised in profit or loss	477,540
At 31 March 2009 and 1 April 2009	27,500,000
Increase in fair value recognised in profit or loss	8,500,000
At 31 March 2010	36,000,000

The investment property at the end of the reporting period was held under long-term lease in Hong Kong.

The fair value of Grand Quality's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited. The fair values of Grand Quality's investment property at 31 March 2009 and 2010 have been arrived at on the basis of a valuation carried out on that dates by Vigers Appraisal and Consulting Limited. Both valuers, which are member of Institute of Valuers, are independent qualified professional valuers not connected with Grand Quality. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

13. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY/LOAN FROM ULTIMATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand, except that the loan from ultimate holding company bears floating interest at 1.45% over 3-month HIBOR and repayable within one year.

15. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax (asset) liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment property	Accelerated tax depreciation	Tax loss	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2007	—	—	—	—
Credit to profit or loss	(190,015)	60,667	(60,667)	(190,015)
At 31 March 2008 and 1 April 2008	(190,015)	60,667	(60,667)	(190,015)
Effect of change in tax rate	10,858	(3,467)	3,467	10,858
(Credit) charge to profit or loss	(10,858)	57,200	(57,200)	(10,858)
At 31 March 2009 and 1 April 2009	(190,015)	114,400	(114,400)	(190,015)
Charge (credit) to profit or loss	1,587,484	72,116	(1,264,164)	395,436
At 31 March 2010	1,397,469	186,516	(1,378,564)	205,421

At 31 March 2008, 2009 and 2010, Grand Quality has estimated unused tax losses of approximately HK$7,655,000, HK$7,998,000 and HK$8,355,000 respectively subject to the confirmation from Hong Kong Inland Revenue Department available for offset against future taxable profits. A deferred tax asset has been recognised in respect of HK$347,000, HK$693,000 and HK$8,355,000, of such losses as at 31 March 2008, 2009 and 2010, respectively. No deferred tax asset of HK$7,308,000 and HK$7,305,000 at 31 March 2008 and 2009, respectively, has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. The remaining tax losses may be carried forward indefinitely.

16. SHARE CAPITAL

	Authorised At 31 March 2008, 2009 and 2010	Issued and fully paid At 31 March 2008, 2009 and 2010
	HK$	*HK$*
Ordinary shares of HK$1 each	10,000	2

17. OPERATING LEASE ARRANGEMENTS

Grand Quality as lessor

Property rental income earned during the years ended 31 March 2008, 2009 and 2010, net of outgoings, was HK$267,232, HK$1,534,035 and HK$1,521,501, respectively.

At the end of the reporting periods, Grand Quality had contracted with tenants for future minimum lease payments, which fall due:

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Within one year	1,560,000	1,560,000	1,283,226
In the second to fifth years inclusive	2,985,357	1,283,226	—
	4,545,357	2,843,226	1,283,226

Operating lease payments represents rental receivable by Grand Quality for its premise. Leases are negotiated and fixed for an average of three years.

18. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 March 2009 and 2010, the loan from ultimate holding company amounting to HK$1,200,000 and HK$16,800,000, respectively, was settled through current account with ultimate holding company.

19. SHARE OPTION SCHEME

Wang On operates a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to eligible participants, including any director of Grand Quality. The Scheme became effective on 3 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Options granted under the Scheme are normally exercisable between the first and tenth anniversaries of the date of grant subject to an vesting condition that the eligible participant remains a director of Grand Quality for a period of usually one to two years from the date of grant.

The following table discloses movements of Wang On's share options granted under the Scheme during the year ended 31 March 2008:

			Number of options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1.4.2007**	**Granted during the year**	**Adjustments made during the year**	**Outstanding at 31.3.2008**
	HK$ *(Note)*				*(Note)*	
Director						
Chan Chun Hong						
2.1.2008						
	0.1670	2.1.2009 to 1.1.2013	—	1,300,000	—	1,300,000
Chim Lai Fun						
1.3.2007						
	0.1425	1.3.2007 to 28.2.2017	2,200,000	—	41,800,000	44,000,000
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	400,000	—	400,000
			2,200,000	400,000	41,800,000	44,400,000
			2,200,000	1,700,000	41,800,000	45,700,000
Exercisable at the end of the year			2,200,000			44,000,000

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2009:

			Number of options			
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2008**	**Granted during the year**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2009**
Director						
Chan Chun Hong						
2.1.2008	4.1750	2.1.2009 to 1.1.2013	1,300,000	—	(1,248,000)	52,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	2,600,000	(2,496,000)	104,000
			1,300,000	2,600,000	(3,744,000)	156,000
Chim Lai Fun						
1.3.2007	3.5625	1.3.2007 to 28.2.2017	44,000,000	—	(42,240,000)	1,760,000
2.1.2008	4.1750	2.1.2009 to 1.1.2013	400,000	—	(384,000)	16,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	800,000	(768,000)	32,000
			44,400,000	800,000	(43,392,000)	1,808,000
			45,700,000	3,400,000	(47,136,000)	1,964,000
Exercisable at the end of the year			44,000,000			1,780,400

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2010:

			Number of options		
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2009**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2010**
Director					
Chan Chun Hong					
2.1.2008	1.7462	2.1.2009 to 1.1.2013	52,000	72,323	124,323
8.1.2009	0.2823	8.1.2010 to 7.1.2019	104,000	144,654	248,654
			156,000	216,977	372,977
Chim Lai Fun					
1.3.2007	1.4900	1.3.2007 to 28.2.2017	1,760,000	2,447,951	4,207,951
2.1.2008	1.7462	2.1.2009 to 1.1.2013	16,000	22,254	38,254
8.1.2009	0.2823	8.1.2010 to 7.1.2019	32,000	44,513	76,513
			1,808,000	2,514,718	4,322,718
			1,964,000	2,731,695	4,695,695
Exercisable at the end of the year			1,780,400		4,403,045

Note: Details of the adjustments on exercise price per share and the number of options during the Relevant Periods can refer to the 2008, 2009 and 2010 annual reports of Wang On.

The options granted under the Scheme vest as follows:

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

No charge is recognised in profit or loss since the amount of share options expenses on the director services allocated by Wang On to Grand Quality is considered insignificant during the Relevant Periods.

20. RELATED PARTY DISCLOSURES

(a) Grand Quality received rental income from a related company, which is a subsidiary of Wai Yuen Tong Medicine Holdings Limited ("Wai Yuen Tong") (note) amounting to HK$276,774, HK$1,560,000 and HK$1,560,000 for the years ended 31 March 2008, 2009 and 2010, respectively.

(b) Grand Quality paid management fee to a fellow subsidiary amounting to HK$21,459, HK$78,000 and HK$8,450 for the years ended 31 March 2008, 2009 and 2010, respectively.

(c) The rental deposit from a related company represents the amount received from a subsidiary of Wai Yuen Tong (note).

(d) Grand Quality paid interest expense to ultimate holding company amounting to HK$100,417, HK$630,181 and HK$363,533 for the years ended 31 March 2008, 2009 and 2010, respectively.

(e) Details of the balances with related parties as at the end of the reporting periods are set out in the statement of financial position on page II-27 and in notes 13 and 14.

Note: As at 31 March 2008 and 2009, Wang On held interest in an associate, Wai Yuen Tong, and was in a position to exercise significant influence over Wai Yuen Tong. During the year ended 31 March 2010, Wang On's interest in Wai Yuen Tong was diluted as a result of the issue of new shares by Wai Yuen Tong. Since then, Wang On ceased to exercise significant influence over Wai Yuen Tong and remained as a shareholder of Wai Yuen Tong. Mr. Chan Chun Hong, a director of Grand Quality, is also the director of Wai Yuen Tong during the Relevant Periods.

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 March 2010.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Grand Quality have been prepared in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

3. ACCOUNTANTS' REPORT OF INFO WORLD

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Chartered Accountants, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Info World for the years ended 31 March 2008, 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with its shares being listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 27 August 2010 in connection with the major transaction relating to proposed acquisition of the entire interests of Info World (the "Circular").

Info World was established as a private company with limited liability in Hong Kong on 4 April 2005.

The financial year-end date of Info World is 31 March. The statutory financial statements of Info World (the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance for the year ended 31 March 2008 were audited by Frank Tsoi & Company Certified Public Accountants and for the years ended 31 March 2009 and 2010 were audited by FTO CPA Limited.

We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Info World for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of Info World, who approved their issue. The directors of Wai Yuen Tong Medicine Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Info World as at 31 March 2008, 2009 and 2010 of the results and cash flows of Info World for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Revenue		720,000	720,000	720,000
Administrative and other expenses		(177,327)	(105,734)	(94,284)
Interest on bank borrowings not wholly repayable within five years		(351,031)	—	—
Increase (decrease) in fair value of investment property		1,300,000	(6,300,000)	5,000,000
Profit (loss) before tax	9	1,491,642	(5,685,734)	5,625,716
Income tax (expense) credit	10	(561,321)	561,321	(500,751)
Profit (loss) and total comprehensive income (expense) for the year		930,321	(5,124,413)	5,124,965
Earnings (loss) per share	12			
Basic		930,321	(5,124,413)	5,124,965

STATEMENTS OF FINANCIAL POSITION

		At 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Non-current asset				
Investment property	13	21,300,000	15,000,000	20,000,000
Current assets				
Other receivables		1,032	—	—
Amount due from an intermediate holding company	14	—	150,000	—
Amount due from a fellow subsidiary	14	—	32,479	—
Bank balances		55,881	92,931	125,426
		56,913	275,410	125,426
Current liabilities				
Other payables		10,300	15,146	20,693
Rental deposit from a related company		120,000	120,000	120,000
Amount due to ultimate holding company	15	15,605,980	15,611,980	—
Amount due to immediate holding company	15	2,360,349	4,775,499	19,606,232
Amount due to a fellow subsidiary	15	61,765	—	—
Tax payable		—	—	83,443
		18,158,394	20,522,625	19,830,368
Net current liabilities		(18,101,481)	(20,247,215)	(19,704,942)
Total assets less current liabilities		3,198,519	(5,247,215)	295,058
Non-current liability				
Deferred tax liabilities	16	561,321	—	417,308
		2,637,198	(5,247,215)	(122,250)
Capital and reserve				
Share capital	17	1	1	1
Retained profits (accumulated losses)		2,637,197	(5,247,216)	(122,251)
		2,637,198	(5,247,215)	(122,250)

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits (accumulated losses)	Total
	HK$	*HK$*	*HK$*
At 1 April 2007	1	1,706,876	1,706,877
Profit and total comprehensive income for the year	—	930,321	930,321
At 31 March 2008 and 1 April 2008	1	2,637,197	2,637,198
Loss and total comprehensive expense for the year	—	(5,124,413)	(5,124,413)
Dividends recognised as distribution (note 11)	—	(2,760,000)	(2,760,000)
At 31 March 2009 and 1 April 2009	1	(5,247,216)	(5,247,215)
Profit and total comprehensive income for the year	—	5,124,965	5,124,965
At 31 March 2010	1	(122,251)	(122,250)

STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Profit (loss) before tax	1,491,642	(5,685,734)	5,625,716
Adjustments for:			
Interest on bank borrowings not wholly repayable within five years	351,031	—	—
(Increase) decrease in fair value of investment property	(1,300,000)	6,300,000	(5,000,000)
Operating cash flows before movements in working capital	542,673	614,266	625,716
Decrease in other receivables	1,802	1,032	—
(Decrease) increase in other payables	(5,948)	4,846	5,547
NET CASH GENERATED FROM OPERATING ACTIVITIES	538,527	620,144	631,263
INVESTING ACTIVITIES			
Advance from (repayment to) an intermediate holding company	—	(150,000)	150,000
Advance from (repayment to) a fellow subsidiary	—	(32,479)	32,479
NET CASH FROM INVESTING ACTIVITIES	—	(182,479)	182,479
FINANCING ACTIVITIES			
Advance from (repayment to) ultimate holding company	9,634,180	6,000	(15,611,980)
Advance from immediate holding company	85,300	2,415,150	14,830,733
Repayment of bank borrowings	(9,768,672)	—	—
Interest paid	(351,031)	—	—
Repayment to a fellow subsidiary	(219,095)	(61,765)	—
Dividend paid	—	(2,760,000)	—
NET CASH USED IN FINANCING ACTIVITIES	(619,318)	(400,615)	(781,247)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(80,791)	37,050	32,495
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	136,672	55,881	92,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	55,881	92,931	125,426

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Info World is a private limited company incorporated in Hong Kong. Its immediate holding company is East Run Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wang On Group Limited ("Wang On"), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of Info World are 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

Info World is engaged in the business of property investment.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of Info World.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Wang On has agreed to provide adequate funds to enable Info World to meet in full its financial obligations as they fall due for a period of at least 12 months from the end of the reporting periods.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Info World has consistently applied all of the new and revised Hong Kong Accounting Standards, HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 April 2009 throughout the Relevant Periods.

At the date of this report, Info World has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in the preparation of the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 July 2010 and 1 January 2011, as appropriate

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

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

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

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

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

The directors of Info World anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment property which is measured at fair value, as explained in the accounting policies set out below. In addition, the Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA and includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at the fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Impairment

At the end of each reporting period, Info World reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from the profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Info World's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Info World expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Info World as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Info World becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Info World's financial assets comprise loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from a fellow subsidiary and an intermediate holding company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Info World are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Info World after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including (amounts due to ultimate holding company, immediate holding company and a fellow subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Info World are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Info World has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

Info World manages its capital to ensure that Info World will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remained unchanged during the Relevant Periods.

The capital structure of Info World consists of net debt, which includes amounts due to ultimate holding company, immediate holding company and a fellow subsidiary, net of cash and cash equivalents and equity attributable to owners of Info World, comprising issued share capital and retained profits.

The directors of Info World review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, Info World will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables (including cash and cash equivalents)	55,881	275,410	125,426
Financial liabilities			
Amortised cost	18,028,094	20,387,479	19,606,232

b. Financial risk management objectives and policies

Info World's major financial instruments include amounts due from a fellow subsidiary and an intermediate holding company, bank balances and amounts due to ultimate holding company, an immediate holding company and a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

In the management of the liquidity risk, Info World monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Info World's operations and mitigate the effects of fluctuations in cash flows.

Info World has net current liabilities of approximately HK$18,101,000 and HK$20,247,000 and HK$19,705,000 as at 31 March 2008, 2009 and 2010, respectively. It is currently dependent upon the continuing financial support from Wang On, which has agreed to provide adequate financial support to enable Info World to meet its financial obligations in full as they fall due for the foreseeable future. In this regard, the directors of the Info World consider that Info World's liquidity risk has been reduced.

At 31 March 2008, 2009 and 2010, all financial liabilities of Info World are non-interest bearing and are repayable on demand. Accordingly, no liquidity risk analysis is presented.

Credit risk

Info World's principal financial assets are amounts due from a fellow subsidiary and an intermediate holding company and bank balances.

As at 31 March 2008, 2009 and 2010, Info World's maximum exposure to credit risk which will cause a financial loss to Info World due to failure to discharge obligation by the counterparties or debtors is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position. Info World has concentration of credit risk in amounts due from a fellow subsidiary and an intermediate holding company. In order to minimise the credit risk, Info World reviews the recoverable amount of amounts due from a fellow subsidiary and an intermediate holding company at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Info World consider that Info World's credit risk is significant reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values.

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of Info World that are regularly reviewed by the chief operating decision maker, the directors of Info World, for the purpose of allocating resources and assessing performance. During the Relevant Periods, Info World is a property investment company and holding an investment property (note 13). The chief operating decision maker reviews the management accounts of Info World for the purpose of resources allocation and performance assessment. Accordingly, the operation of Info World is regarded as a single operating segment.

One operating segment is presented to the chief operating decision maker. The segment revenue was HK$720,000, HK$720,000 and HK$720,000 and segment results were profit of HK$930,321, loss of HK$5,124,413 and profit of HK$5,124,965 for the years ended 31 March 2008, 2009 and 2010, respectively, as shown in the statement of comprehensive income on page II-50. The segment total assets were HK$21,356,913, HK$15,275,410 and HK$20,125,426, and the segment total liabilities were HK$18,719,715, HK$20,522,625 and HK$20,247,676 as at 31 March 2008, 2009 and 2010, respectively.

The total revenue is derived from one single tenant located in Hong Kong.

As at 31 March 2008, 2009 and 2010, non-current assets of HK$21,300,000, HK$15,000,000 and HK$20,000,000, respectively, were located in Hong Kong.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no fees and other emoluments are paid or payable to Ms. Tang Mui Fun, Mr. Chan Chun Hong and Ms. Chim Lai Fun, directors of Info World.

No charge is recognised in the statement of comprehensive income since the amount of emoluments on the director services allocated by Wang On to Info World is considered insignificant during the Relevant Periods.

(b) Employees' emoluments

No five highest paid individuals emoluments are presented as no employees are employed by Info World during the Relevant Periods.

9. PROFIT (LOSS) BEFORE TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Profit (loss) before tax has been arrived at after charging (crediting):			
Directors' remuneration	—	—	—
Other staff cost *(note)*	103,642	44,788	26,278
Retirement benefit scheme contributions *(note)*	6,477	4,783	6,439
	110,119	49,571	32,717
Auditor's remuneration	6,000	12,000	12,000
Gross rental income from a fellow subsidiary	(720,000)	(720,000)	(720,000)
Less: outgoings	29,948	26,028	39,133
	(690,052)	(693,972)	(680,867)

Note: During the Relevant Periods, Info World obtained services from staff of a fellow subsidiary and thus the relevant staff costs were being allocated from the fellow subsidiary to Info World.

10. INCOME TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
The income tax expense (credit) comprises:			
Hong Kong Profits Tax	—	—	83,443
Deferred taxation *(note 16)*	561,321	(561,321)	417,308
	561,321	(561,321)	500,751

No Hong Kong Profits Tax has been made by Info World for the years ended 31 March 2008 and 2009 in the Financial Information as Info World has no assessable profits for the years.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2008 and 16.5% for the years ended 31 March 2009 and 2010.

The income tax expense (credit) for the Relevant Periods can be reconciled to the profit (loss) before tax per the statement of comprehensive income as follows:

	Year ended 31 March		
	2008	2009	2010
	HK$	*HK$*	*HK$*
Profit (loss) before tax	1,491,642	(5,685,734)	5,625,716
Tax at the Hong Kong Profits Tax rate (2008: 17.5%; 2009 and 2010: 16.5%)	261,037	(938,146)	928,243
Effect of change in tax rate	—	(32,075)	—
Tax effect of deductible temporary differences not recognised	—	418,652	—
Utilisation of deductible temporary differences previously not recognised	—	—	(418,652)
Underprovision in respect of prior years	300,284	—	—
Others	—	(9,752)	(8,840)
Income tax expense (credit) for the year	561,321	(561,321)	500,751

11. DIVIDEND

	Year ended 31 March		
	2008	2009	2010
	HK$	*HK$*	*HK$*
Dividend recognised as distribution during the year: 2009 special dividend of HK$2,760,000 per share	—	2,760,000	—

12. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the earnings (loss) for the Relevant Periods attributable to the owner of Info World of profit of HK$930,321, loss of HK$5,124,413 and profit of HK$5,124,965 for the years ended 31 March 2008, 2009 and 2010, respectively, over a weighted average number of 1 ordinary share of Info World during the Relevant Periods. No diluted earnings (loss) per share is presented as Info World had no potential ordinary shares outstanding during the Relevant Periods.

13. INVESTMENT PROPERTY

	HK$
VALUATION	
At 1 April 2007	20,000,000
Increase in fair value recognised in profit or loss	1,300,000
At 31 March 2008 and 1 April 2008	21,300,000
Decrease in fair value recognised in profit or loss	(6,300,000)
At 31 March 2009 and 1 April 2009	15,000,000
Increase in fair value recognised in profit or loss	5,000,000
At 31 March 2010	20,000,000

The investment property at the end of the reporting period was held under medium-term lease in Hong Kong.

The fair value of Info World's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited. The fair values of Info World's investment property at 31 March 2009 and 2010 have been arrived at on the basis of a valuation carried out on that dates by Vigers Appraisal & Consulting Limited. Both valuers, which are member of Institute of Valuers, are independent qualified professional valuers not connected with Info World. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

14. AMOUNTS DUE FROM A FELLOW SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

16. DEFERRED TAX LIABILITIES

The following are the major deferred tax (asset) liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment property	Accelerated tax depreciation	Tax losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2007	—	—	—	—
Charge (credit) to profit or loss	574,475	60,380	(73,534)	561,321
At 31 March 2008 and 1 April 2008	574,475	60,380	(73,534)	561,321
Effect of change in tax rate	(32,827)	(3,450)	4,202	(32,075)
(Credit) charge to profit or loss	(620,848)	22,270	69,332	(529,246)
At 31 March 2009 and 1 April 2009	(79,200)	79,200	—	—
Charge to profit or loss	406,348	10,960	—	417,308
At 31 March 2010	327,148	90,160	—	417,308

At 31 March 2008, Info World has estimated unused tax losses of approximately HK$420,000, subject to the confirmation from Hong Kong Inland Revenue Department, available for offset against future taxable profits. Deferred tax asset has been recognised at 31 March 2008 in respect of the unused tax losses.

At 31 March 2009, Info World has estimated deductible temporary differences of approximately HK$2,537,000. No deferred tax asset has been recongised at 31 March 2009 in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

17. SHARE CAPITAL

	Authorised At 31 March 2008, 2009 and 2010	Issued and fully paid At 31 March 2008, 2009 and 2010
	HK$	*HK$*
Ordinary shares of HK$1 each	10,000	1

18. OPERATING LEASE ARRANGEMENTS

Info World as lessor

Property rental income earned for the years ended 31 March 2008, 2009 and 2010, net of outgoings, was HK$690,052, HK$693,972 and HK$680,867, respectively.

At the end of the reporting periods, Info World had contracted with tenants for future minimum lease payments, which fall due:

		At 31 March	
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Within one year	720,000	226,452	720,000
In the second to fifth years inclusive	226,452	—	226,452
	946,452	226,452	946,452

Operating lease payments represents rental receivable by Info World for its premise. Leases are negotiated and fixed for an average of two years.

19. SHARE OPTION SCHEME

Wang On operates a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to eligible participants, including any director of Info World. The Scheme became effective on 3 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Options granted under the Scheme are normally exercisable between the first and tenth anniversaries of the date of grant subject to an vesting condition that the eligible participant remains a director of Info World for a period of usually one to two years from the date of grant.

The following table discloses movements of Wang On's share options granted under the Scheme during the year ended 31 March 2008:

			Number of options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1.4.2007**	**Granted during the year**	**Adjustments made during the year**	**Outstanding at 31.3.2008**
	HK$ *(Note)*				*(Note)*	
Director						
Chan Chun Hong						
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	1,300,000	—	1,300,000
Chim Lai Fun						
1.3.2007	0.1425	1.3.2007 to 28.2.2017	2,200,000	—	41,800,000	44,000,000
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	400,000	—	400,000
			2,200,000	400,000	41,800,000	44,400,000
			2,200,000	1,700,000	41,800,000	45,700,000
Exercisable at the end of the year			2,200,000			44,000,000

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2009:

Date of grant	Exercise price per share HK$ *(Note)*	Exercisable period	Number of options: Outstanding at 1.4.2008	Granted during the year	Adjustments made during the year *(Note)*	Outstanding at 31.3.2009
Director						
Chan Chun Hong						
2.1.2008	4.1750	2.1.2009 to 1.1.2013	1,300,000	—	(1,248,000)	52,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	2,600,000	(2,496,000)	104,000
			1,300,000	2,600,000	(3,744,000)	156,000
Chim Lai Fun						
1.3.2007	3.5625	1.3.2007 to 28.2.2017	44,000,000	—	(42,240,000)	1,760,000
2.1.2008	4.1750	2.1.2009 to 1.1.2013	400,000	—	(384,000)	16,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	800,000	(768,000)	32,000
			44,400,000	800,000	(43,392,000)	1,808,000
			45,700,000	3,400,000	(47,136,000)	1,964,000
Exercisable at the end of the year			44,000,000			1,780,400

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2010:

			Number of options		
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2009**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2010**
Director					
Chan Chun Hong					
2.1.2008	1.7462	2.1.2009 to 1.1.2013	52,000	72,323	124,323
8.1.2009	0.2823	8.1.2010 to 7.1.2019	104,000	144,654	248,654
			156,000	216,977	372,977
Chim Lai Fun					
1.3.2007	1.4900	1.3.2007 to 28.2.2017	1,760,000	2,447,951	4,207,951
2.1.2008	1.7462	2.1.2009 to 1.1.2013	16,000	22,254	38,254
8.1.2009	0.2823	8.1.2010 to 7.1.2019	32,000	44,513	76,513
			1,808,000	2,514,718	4,322,718
			1,964,000	2,731,695	4,695,695
Exercisable at the end of the year			1,780,400		4,403,045

Note: Details of the adjustments on exercise price per share and the number of options during the Relevant Periods can refer to the 2008, 2009 and 2010 annual reports of Wang On.

The options granted under the Scheme vest as follows:

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

No charge is recognised in profit or loss since the amount of share options expenses on the director services allocated by Wang On to Info World is considered insignificant during the Relevant Periods.

20. RELATED PARTY DISCLOSURES

(a) Info World received rental income from a related company, which is an associate of Wai Yuen Tong Medicine Holdings Limited ("Wai Yuen Tong") (note), amounting to HK$720,000, HK$720,000 and HK$720,000 for the years ended 31 March 2008, 2009 and 2010, respectively.

(b) Info World paid management fee to a fellow subsidiary amounting to HK$21,459, HK$7,800 and HK$8,450 for the years ended 31 March 2008, 2009 and 2010, respectively.

(c) The rental deposit from a related company represents the amount received from an associate of Wai Yuen Tong (note).

(d) Details of the balances with related parties as at the end of the reporting period are set out in the statement of financial position on page II-51 and in notes 14 and 15.

Note: As at 31 March 2008 and 2009, Wang On held interest in an associate, Wai Yuen Tong, and was in a position to exercise significant influence over Wai Yuen Tong. During the year ended 31 March 2010, Wang On's interest in Wai Yuen Tong was diluted as a result of the issue of new shares by Wai Yuen Tong. Since then, Wang On ceased to exercise significant influence over Wai Yuen Tong and remained as a shareholder of Wai Yuen Tong. Mr. Chan Chun Hong, a director of Info World, is also the director of Wai Yuen Tong during the Relevant Periods.

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 March 2010.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Info World have been prepared in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

4. ACCOUNTANTS' REPORT OF SMART FIRST

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Chartered Accountants, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Hong Kong

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Smart First for the years ended 31 March 2008, 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with its shares being listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 27 August 2010 in connection with the major transaction relating to proposed acquisition of the entire interests of Smart First (the "Circular").

Smart First was established as a private company with limited liability in Hong Kong on 4 April 2005.

The financial year-end date of Smart First is 31 March. The statutory financial statements of Smart First (the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance for the year ended 31 March 2008 were audited by Frank Tsoi & Company Certified Public Accountants and for the years ended 31 March 2009 and 2010 were audited by FTO CPA Limited.

We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Smart First for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of Smart First, who approved their issue. The directors of Wai Yuen Tong Medicine Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Smart First as at 31 March 2008, 2009 and 2010 of the results and cash flows of Smart First for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Revenue		696,000	864,000	864,000
Other income		—	—	78,750
Administrative and other expenses		(168,894)	(96,725)	(75,802)
Finance costs	9	(503,971)	(359,409)	(211,386)
Increase (decrease) in fair value of investment property		630,615	(1,000,000)	4,880,000
Profit (loss) before tax	10	653,750	(592,134)	5,535,562
Income tax (expense) credit	11	(100,258)	127,542	(954,077)
Profit (loss) and total comprehensive income (expense) for the year		553,492	(464,592)	4,581,485
Earnings (loss) per share	13			
Basic		553,492	(464,592)	4,581,485

STATEMENTS OF FINANCIAL POSITION

		At 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Non-current asset				
Investment property	14	18,300,000	17,300,000	22,200,000
Current assets				
Other receivables		1,644	27	27
Amount due from ultimate holding company	15	2,255,823	770,418	—
Amount due from an intermediate holding company	15	—	200,000	—
Amount due from a fellow subsidiary	15	138,285	80,808	—
Bank balances		31,929	121,597	137,367
		2,427,681	1,172,850	137,394
Current liabilities				
Other payables		223,117	224,866	157,468
Amount due to immediate holding company	16	7,961,176	8,606,726	17,084,110
Amount due to a fellow subsidiary	16	1,000	1,000	—
Loan from ultimate holding company	16	11,200,000	10,080,004	—
		19,385,293	18,912,596	17,241,578
Net current liabilities		(16,957,612)	(17,739,746)	(17,104,184)
Total assets less current liabilities		1,342,388	(439,746)	5,095,816
Non-current liability				
Deferred tax liabilities	17	232,852	105,310	1,059,387
		1,109,536	(545,056)	4,036,429
Capital and reserve				
Share capital	18	1	1	1
Retained profits (accumulated losses)		1,109,535	(545,057)	4,036,428
		1,109,536	(545,056)	4,036,429

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits (accumulated losses)	Total
	HK$	*HK$*	*HK$*
At 1 April 2007	1	556,043	556,044
Profit and total comprehensive income for the year	—	553,492	553,492
At 31 March 2008 and 1 April 2008	1	1,109,535	1,109,536
Loss and total comprehensive expense for the year	—	(464,592)	(464,592)
Dividends recognised as distribution *(note 12)*	—	(1,190,000)	(1,190,000)
At 31 March 2009 and 1 April 2009	1	(545,057)	(545,056)
Profit and total comprehensive income for the year	—	4,581,485	4,581,485
At 31 March 2010	1	4,036,428	4,036,429

STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2008	2009	2010
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Profit (loss) before tax	653,750	(592,134)	5,535,562
Adjustments for:			
Finance costs	503,971	359,409	211,386
(Increase) decrease in fair value of investment property	(630,615)	1,000,000	(4,880,000)
Write back of other payables	—	—	(78,750)
Operating cash flows before movements in working capital	527,106	767,275	788,198
Decrease in other receivables	4,043	1,617	—
Increase in other payables	29,318	1,749	11,352
NET CASH FROM OPERATING ACTIVITIES	560,467	770,641	799,550
INVESTING ACTIVITIES			
(Advance to) repayment from ultimate holding company	(2,255,823)	1,485,405	770,418
(Advance to) repayment from an intermediate holding company	—	(200,000)	200,000
(Advance to) repayment from a fellow subsidiary	(138,285)	57,477	80,808
Additions to investment property	(169,385)	—	(20,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,563,493)	1,342,882	1,031,226

	Year ended 31 March		
	2008	2009	2010
	HK$	*HK$*	*HK$*
FINANCING ACTIVITIES			
Loan from (repayment to) ultimate holding company	11,200,000	(1,119,996)	(10,080,004)
Advance from immediate holding company	45,772	645,550	8,477,384
Repayment of bank borrowings	(7,846,810)	—	—
Repayment to ultimate holding company	(764,558)	—	—
Repayment to a fellow subsidiary	(280,407)	—	(1,000)
Interest paid	(503,971)	(359,409)	(211,386)
Dividend paid	—	(1,190,000)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,850,026	(2,023,855)	(1,815,006)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(153,000)	89,668	15,770
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	184,929	31,929	121,597
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	31,929	121,597	137,367

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Smart First is a private limited company incorporated in Hong Kong. Its immediate holding company is East Run Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wang On Group Limited ("Wang On"), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of Smart First are 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

Smart First is engaged in the business of property investment.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of Smart First.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because Wang On has agreed to provide adequate funds to enable Smart First to meet in full its financial obligations as they fall due for a period of at least 12 months from the end of the reporting periods.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Smart First has consistently applied all of the new and revised Hong Kong Accounting Standards, HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 April 2009 throughout the Relevant Periods.

At the date of this report, Smart First has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in the preparation of the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]

HKFRS 9	Financial Instruments[8]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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 July 2010 and 1 January 2011, as appropriate

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

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

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

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

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

The directors of Smart First anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment property which is measured at fair value, as explained in the accounting policies set out below. In addition, the Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at the fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Impairment

At the end of each reporting period, Smart First reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from the profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Smart First's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Smart First expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Smart First as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Smart First becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Smart First's financial assets comprise loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from ultimate holding company, an intermediate holding company and a fellow subsidiary, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Smart First are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Smart First after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including amounts due to immediate holding company and a fellow subsidiary, and loan from ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Smart First are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Smart First has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

Smart First manages its capital to ensure that Smart First will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remained unchanged during the Relevant Periods.

The capital structure of Smart First consists of net debt, which includes amounts due to immediate holding company and a fellow subsidiary and loan from ultimate holding company, net of cash and cash equivalents and equity attributable to owners of Smart First, comprising issued share capital and retained profits.

The directors of Smart First review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, Smart First will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables (including cash and cash equivalents)	2,426,037	1,172,823	137,367
Financial liabilities			
Amortised cost	19,162,176	18,687,730	17,084,110

b. Financial risk management objectives and policies

Smart First's major financial instruments include amounts due from ultimate holding company, an intermediate holding company and a fellow subsidiary, bank balances, amounts due to immediate holding company and a fellow subsidiary, and loan from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Smart First is exposed to cash flow interest rate risk in relation to Smart First's loan from ultimate holding company with floating interest rates. It is Smart First's policy to keep its loan at floating rate of interest so as to minimise the fair value interest rate risk.

Smart First currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Smart First's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. Smart First's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from Smart First's loan from ultimate holding company.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate loan from ultimate holding company. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting periods was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Smart First's profit for the year ended 31 March 2008 would decrease/increase by approximately HK$46,000 and the loss for the year ended 31 March 2009 would increase/decrease by approximately HK$42,000. There is no significant interest rate risk for the year ended 31 March 2010. Therefore, no sensitivity analysis is prepared.

Liquidity risk

In the management of the liquidity risk, Smart First monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Smart First's operations and mitigate the effects of fluctuations in cash flows.

Smart First has net current liabilities of approximately HK$16,958,000, HK$17,740,000 and HK$17,104,000 as at 31 March 2008, 2009 and 2010, respectively. It is currently dependent upon the continuing financial support from Wang On, which has agreed to provide adequate financial support to enable Smart First to meet its financial obligations in full as they fall due for the foreseeable future. In this regard, the directors of Smart First consider that Smart First's liquidity risk has been reduced.

Liquidity and interest risk tables

The following table details Smart First's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Smart First can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 March 2008						
Amount due to immediate holding company	—	7,961,176	—	—	7,961,176	7,961,176
Amount due to a fellow subsidiary	—	1,000	—	—	1,000	1,000
Loan from ultimate holding company	3.75	—	257,651	12,082,781	12,340,432	11,200,000
		7,962,176	257,651	12,082,781	20,302,608	19,162,176
As at 31 March 2009						
Amount due to immediate holding company	—	8,606,726	—	—	8,606,726	8,606,726
Amount due to a fellow subsidiary	—	1,000	—	—	1,000	1,000
Loan from ultimate holding company	2.6	—	248,509	10,723,612	10,972,121	10,080,004
		8,607,726	248,509	10,723,612	19,579,847	18,687,730

At 31 March 2010, all financial liabilities of Smart First are non-interest bearing and are repayable on demand. Accordingly, no liquidity risk analysis is presented.

Credit risk

Smart First's principal financial assets are amounts due from ultimate holding company, an intermediate holding company and a fellow subsidiary and bank balances.

As at 31 March 2008, 2009 and 2010, Smart First's maximum exposure to credit risk which will cause a financial loss to Smart First due to failure to discharge obligation by the counterparties or debtors is arising from the carrying amount of respective recognised financial assets as stated in the statement of financial position. Smart First has concentration of credit risk in amounts due from ultimate holding company, an intermediate holding company and a fellow subsidiary. In order to minimise the credit risk, Smart First reviews the recoverable amount of amounts due from ultimate holding company, an intermediate holding company and a fellow subsidiary at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Smart First consider that Smart First's credit risk is significant reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values.

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of Smart First that are regularly reviewed by the chief operating decision maker, the directors of Smart First, for the purpose of allocating resources and assessing performance. During the Relevant Periods, Smart First is a property investment company and holding an investment property (note 14). The chief operating decision maker reviews the management accounts of Smart First for the purpose of resources allocation and performance assessment. Accordingly, the operation of Smart First is regarded as a single operating segment.

One operating segment is presented to the chief operating decision maker. The segment revenue were HK$696,000, HK$864,000 and HK$864,000 for the years ended 31 March 2008, 2009 and 2010 respectively and segment results were profit of HK$553,492, loss of HK$464,592 and profit of HK$4,581,485 for the years ended 31 March 2008, 2009 and 2010 respectively as shown in the statement of comprehensive income on page II-73. The segment total assets were HK$20,727,681, HK$18,472,850 and HK$22,337,394, and the segment total liabilities were HK$19,618,145, HK$19,017,906 and HK$18,300,965 as at 31 March 2008, 2009 and 2010, respectively.

The total revenue is derived from one single tenant located in Hong Kong.

As at 31 March 2008, 2009 and 2010, non-current assets of HK$18,300,000, HK$17,300,000 and HK$22,200,000, respectively, were located in Hong Kong.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no fees and other emoluments are paid or payable to Ms. Tang Mui Fun, Mr. Chan Chun Hong and Ms. Chim Lai Fun, directors of Smart First.

No charge is recognised in the statement of comprehensive income since the amount of emoluments on the director services allocated by Wang On to Smart First is considered insignificant during the Relevant Periods.

(b) Employees' emoluments

No five highest paid individuals emoluments are presented as no employees are employed by Smart First during the Relevant Periods.

9. FINANCE COSTS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Interest on bank borrowings	208,931	—	—
Interest on loan from ultimate holding company	295,040	359,409	211,386
	503,971	359,409	211,386

10. PROFIT (LOSS) BEFORE TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Profit (loss) before tax has been arrived at after charging (crediting):			
Directors' remuneration	—	—	—
Other staff cost *(note)*	103,642	44,788	26,278
Retirement benefit scheme contributions *(note)*	6,477	4,783	6,439
	110,119	49,571	32,717
Auditor's remuneration	6,000	12,000	12,000
Gross rental income	(696,000)	(864,000)	(864,000)
Less: outgoings	25,475	19,849	21,254
	(670,525)	(844,151)	(842,746)

Note: During the Relevant Periods, Smart First obtained services from staff of a fellow subsidiary and thus the relevant staff costs were being allocated from the fellow subsidiary to Smart First.

11. INCOME TAX

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
The income tax expense (credit) comprises:			
Deferred taxation *(note 17)*			
Current year	100,258	(114,236)	954,077
Attributable to a change in tax rate	—	(13,306)	—
	100,258	(127,542)	954,077

No Hong Kong Profits Tax has been made by Smart First for the years ended 31 March 2008, 2009 and 2010 in the Financial Information as Smart First has no assessable profits for the years.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2008 and 16.5% for the years ended 31 Mach 2009 and 2010.

The income tax expense (credit) for the Relevant Periods can be reconciled to the profit (loss) before tax per the statement of comprehensive income as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Profit (loss) before tax	653,750	(592,134)	5,535,562
Tax at the Hong Kong Profits Tax rate (2008: 17.5%; 2009 and 2010: 16.5%)	114,406	(97,702)	913,367
Effect of change in tax rate	—	(13,306)	—
Others	(14,148)	(16,534)	40,710
Income tax expense (credit) for the year	100,258	(127,542)	954,077

12. DIVIDEND

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Dividend recognised as distribution during the year:			
2009 special dividend of HK$1,190,000 per share	—	1,190,000	—

13. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the earnings (loss) for the Relevant Periods attributable to the equity owner of Smart First of profit of HK$553,492, loss of HK$464,592 and profit of HK$4,581,485 for the years ended 31 March 2008, 2009 and 2010, respectively, over a weighted average number of 1 ordinary share of Smart First during the Relevant Periods. No diluted earnings (loss) per share is presented as Smart First had no potential ordinary shares outstanding during the Relevant Periods.

14. INVESTMENT PROPERTY

	HK$
VALUATION	
At 1 April 2007	17,500,000
Additions	169,385
Increase in fair value recognised in profit or loss	630,615
At 31 March 2008 and 1 April 2008	18,300,000
Decrease in fair value recognised in profit or loss	(1,000,000)
At 31 March 2009 and 1 April 2009	17,300,000
Additions	20,000
Increase in fair value recognised in profit or loss	4,880,000
At 31 March 2010	22,200,000

The investment property at the end of the reporting periods was held under medium-term lease in Hong Kong.

The fair value of Smart First's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited. The fair values of Smart First's investment property at 31 March 2009 and 2010 have been arrived at on the basis of a valuation carried out on that dates by Vigers Appraisal and Consulting Limited. Both valuers, which are member of Institute of Valuers, are independent qualified professional valuers not connected with Smart First. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

15. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

16. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY/ LOAN FROM ULTIMATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand, except that the loan from ultimate holding company bears floating interest at 1.45% over 3-month HIBOR and repayable within one year.

17. DEFERRED TAX LIABILITIES

The following are the major deferred tax (asset) liabilities recognised and movements thereon during the Relevant Periods:

	Revaluation of investment property	Accelerated tax depreciation	Tax loss	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2007	158,205	73,500	(99,111)	132,594
Charge (credit) to profit or loss	111,875	36,942	(48,559)	100,258
At 31 March 2008 and 1 April 2008	270,080	110,442	(147,670)	232,852
Effect of change in tax rate	(15,433)	(6,311)	8,438	(13,306)
(Credit) charge to profit or loss	(166,430)	36,262	15,932	(114,236)
At 31 March 2009 and 1 April 2009	88,217	140,393	(123,300)	105,310
Charge to profit or loss	818,194	33,401	102,482	954,077
At 31 March 2010	906,411	173,794	(20,818)	1,059,387

At 31 March 2008, 2009 and 2010, Smart First has estimated unused tax losses of approximately HK$844,000, HK$747,000 and HK$126,000, respectively, subject to the confirmation from Hong Kong Inland Revenue Department, available for offset against future taxable profits. Deferred tax asset has been recognised in respect of the unused tax losses. The unused tax losses may be carried forward indefinitely.

18. SHARE CAPITAL

	Authorised At 31 March 2008, 2009 and 2010	Issued and fully paid At 31 March 2008, 2009 and 2010
	HK$	*HK$*
Ordinary shares of HK$1 each	10,000	1

19. OPERATING LEASE ARRANGEMENTS

Smart First as lessor

Property rental income earned during the years ended 31 March 2008, 2009 and 2010, net of outgoings, was HK$670,525, HK$844,151 and HK$842,746, respectively.

At the end of the reporting period, Smart First had contracted with tenants for future minimum lease payments, which fall due:

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Within one year	816,000	720,000	720,000
In the second to fifth years inclusive	—	720,000	—
	816,000	1,440,000	720,000

Operating lease payments represents rentals receivable by Smart First for its premise. Leases are negotiated and fixed for an average of two years.

20. SHARE OPTION SCHEME

Wang On operates a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to eligible participants, including any director of Smart First. The Scheme became effective on 3 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Options granted under the Scheme are normally exercisable between the first and tenth anniversaries of the date of grant subject to an vesting condition that the eligible participant remains a director of Smart First for a period of usually one to two years from the date of grant.

The following table discloses movements of Wang On's share options granted under the Scheme during the year ended 31 March 2008:

			Number of options			
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2007**	**Granted during the year**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2008**
Director						
Chan Chun Hong						
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	1,300,000	—	1,300,000
Chim Lai Fun						
1.3.2007	0.1425	1.3.2007 to 28.2.2017	2,200,000	—	41,800,000	44,000,000
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	400,000	—	400,000
			2,200,000	400,000	41,800,000	44,400,000
			2,200,000	1,700,000	41,800,000	45,700,000
Exercisable at the end of the year			2,200,000			44,000,000

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2009:

			Number of options			
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2008**	**Granted during the year**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2009**
Director						
Chan Chun Hong						
2.1.2008	4.1750	2.1.2009 to 1.1.2013	1,300,000	—	(1,248,000)	52,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	2,600,000	(2,496,000)	104,000
			1,300,000	2,600,000	(3,744,000)	156,000
Chim Lai Fun						
1.3.2007	3.5625	1.3.2007 to 28.2.2017	44,000,000	—	(42,240,000)	1,760,000
2.1.2008	4.1750	2.1.2009 to 1.1.2013	400,000	—	(384,000)	16,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	800,000	(768,000)	32,000
			44,400,000	800,000	(43,392,000)	1,808,000
			45,700,000	3,400,000	(47,136,000)	1,964,000
Exercisable at the end of the year			44,000,000			1,780,400

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2010:

			Number of options		
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1.4.2009**	**Adjustments made during the year**	**Outstanding at 31.3.2010**
	HK$ *(Note)*			*(Note)*	
Director					
Chan Chun Hong					
2.1.2008	1.7462	2.1.2009 to 1.1.2013	52,000	72,323	124,323
8.1.2009	0.2823	8.1.2010 to 7.1.2019	104,000	144,654	248,654
			156,000	216,977	372,977
Chim Lai Fun					
1.3.2007	1.4900	1.3.2007 to 28.2.2017	1,760,000	2,447,951	4,207,951
2.1.2008	1.7462	2.1.2009 to 1.1.2013	16,000	22,254	38,254
8.1.2009	0.2823	8.1.2010 to 7.1.2019	32,000	44,513	76,513
			1,808,000	2,514,718	4,322,718
			1,964,000	2,731,695	4,695,695
Exercisable at the end of the year			1,780,400		4,403,045

Note: Details of the adjustments on exercise price per share and the number of options during the Relevant Periods can refer to the 2008, 2009 and 2010 annual reports of Wang On.

The options granted under the Scheme vest as follows:

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

No charge is recognised in profit or loss since the amount of share options expenses on the director services allocated by Wang On to Smart First is considered insignificant during the Relevant Periods.

21. RELATED PARTY DISCLOSURES

(a) Smart First received rental income from a related company, which is a subsidiary of Wai Yuen Tong Medicine Holdings Limited ("Wai Yuen Tong") (note), amounting to HK$660,000, HK$720,000 and HK$720,000 for the years ended 31 March 2008, 2009 and 2010, respectively.

(b) Smart First paid management fee to a fellow subsidiary amounting to HK$21,459, HK$7,800 and HK$8,450 for the years ended 31 March 2008, 2009 and 2010, respectively.

(c) Smart First paid interest expense to ultimate holding company amounting to HK$295,040, HK$359,409 and HK$211,386 for the years ended 31 March 2008, 2009 and 2010, respectively.

(d) Details of the balances with related parties as at the end of the reporting periods are set out in the statement of financial position on page II-74 and in notes 15 and 16.

Note: As at 31 March 2008 and 2009, Wang On held interest in an associate, Wai Yuen Tong, and was in a position to exercise significant influence over Wai Yuen Tong. During the year ended 31 March 2010, Wang On's interest in Wai Yuen Tong was diluted as a result of the issue of new shares by Wai Yuen Tong. Since then, Wang On ceased to exercise significant influence over Wai Yuen Tong and remained as a shareholder of Wai Yuen Tong. Mr. Chan Chun Hong, a director of Smart First, is also the director of Wai Yuen Tong during the Relevant Periods.

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 March 2010.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Smart First have been prepared in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

5. ACCOUNTANTS' REPORT OF STAR SENSE

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Chartered Accountants, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Star Sense for the period from 24 July 2007 (date of incorporation) to 31 March 2008 and the years ended 31 March 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with its shares being listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 27 August 2010 in connection with the major transaction relating to proposed acquisition of the entire interests of Star Sense (the "Circular").

Star Sense was established as a private company with limited liability in Hong Kong on 24 July 2007.

The financial year-end date of Star Sense is 31 March. The statutory financial statements of Star Sense (the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance for the period from 24 July 2007 (date of incorporation) to 31 March 2010 were audited by FTO CPA Limited.

We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Star Sense for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the directors of Star Sense, who approved their issue. The directors of Wai Yuen Tong Medicine Holdings Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Star Sense as at 31 March 2008, 2009 and 2010 of the results and cash flows of Star Sense for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	**24 July 2007 to 31 March 2008**	**Year ended 31 March 2009**	**2010**
		HK$	*HK$*	*HK$*
Revenue		—	—	287,000
Administrative and other expenses		—	(870)	(108,298)
Interest on bank borrowings not wholly repayable within five years		—	—	(116,567)
(Loss) profit before tax	9	—	(870)	62,135
Income tax expense	10	—	—	(10,109)
(Loss) profit and total comprehensive (expense) income for the period/year		—	(870)	52,026
(Loss) earnings per share	11			
Basic		—	(870)	52,026

STATEMENTS OF FINANCIAL POSITION

		At 31 March		
	NOTES	**2008**	**2009**	**2010**
		HK$	*HK$*	*HK$*
Current assets				
Property held for sale	12	—	—	13,896,948
Amount due from immediate holding company	13	1	1	—
Other receivables		—	—	5,418
Bank balances		—	—	229,740
		1	1	14,132,106
Current liabilities				
Other payables		—	—	173,264
Amount due to immediate holding company	14	—	—	6,293,616
Amount due to a fellow subsidiary	14	—	870	—
Tax payable		—	—	10,109
Secured bank borrowings	15	—	—	607,675
		—	870	7,084,664
Net current assets (liabilities)		1	(869)	7,047,442
Non-current liability				
Secured bank borrowings	15	—	—	6,996,285
		1	(869)	51,157
Capital and reserve				
Share capital	16	1	1	1
(Accumulated loss) retained profit		—	(870)	51,156
		1	(869)	51,157

STATEMENTS OF CHANGES IN EQUITY

	Share capital	(Accumulated loss) retained profit	Total
	HK$	*HK$*	*HK$*
Issue of share at 24 July 2007 (date of incorporation) and at 31 March 2008 and 1 April 2008	1	—	1
Loss and total comprehensive expense for the year	—	(870)	(870)
At 31 March 2009 and 1 April 2009	1	(870)	(869)
Profit and total comprehensive income for the year	—	52,026	52,026
At 31 March 2010	1	51,156	51,157

STATEMENT OF CASH FLOWS

	24 July 2007 to 31 March 2008	Year ended 31 March 2009	2010
	HK$ *(Note)*	*HK$* *(Note)*	*HK$*
OPERATING ACTIVITIES			
Profit before tax	—	—	62,135
Adjustment for interest on bank borrowings	—	—	116,567
Operating cash flows before movements in working capital	—	—	178,702
Increase in other receivables	—	—	(5,418)
Increase in other payables	—	—	173,264
NET CASH FROM OPERATING ACTIVITIES	—	—	346,548
INVESTING ACTIVITIES			
Purchase of property held for sale	—	—	(13,896,948)
Proceeds from issue of share	—	—	1
NET CASH USED IN INVESTING ACTIVITIES	—	—	(13,896,947)
FINANCING ACTIVITIES			
New bank borrowings raised	—	—	8,000,000
Advance from immediate holding company	—	—	6,293,616
Repayment of bank borrowings	—	—	(396,040)
Interest paid	—	—	(116,567)
Repayment to a fellow subsidiary	—	—	(870)
NET CASH FROM FINANCING ACTIVITIES	—	—	13,780,139
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	—	229,740
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	—	—	—
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR, represented by bank balances	—	—	229,740

Note: No statements of cash flow are presented in accordance with Hong Kong Accounting Standard ("HKAS") 1 "Presentation of Financial Statements" for the period from 24 July 2007 to 31 March 2008 and the year ended 31 March 2009 as Star Sense does not have any cash flows for the period/year.

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Star Sense is a private limited company incorporated in Hong Kong. Its immediate holding company is East Run Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Wang On Group Limited ("Wang On"), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of Star Sense are 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

Star Sense is engaged in the business of property trading.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of Star Sense.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Star Sense has consistently applied all of the new and revised HKASs, HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 April 2009 throughout the Relevant Periods.

At the date of this report, Star Sense has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in the preparation of the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]

HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[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 July 2010 and 1 January 2011, as appropriate

[4] Effective for annual periods beginning on or after 1 January 2010

[5] Effective for annual periods beginning on or after 1 February 2010

[6] Effective for annual periods beginning on or after 1 July 2010

[7] Effective for annual periods beginning on or after 1 January 2011

[8] Effective for annual periods beginning on or after 1 January 2013

The directors of Star Sense anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. In addition, the Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Property held for sale

Properties held for sale is stated at the lower of cost and net realisable value.

Impairment

At the end of each reporting period, Star Sense reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from the profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Star Sense's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Star Sense expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Star Sense as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Star Sense becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Star Sense's financial assets comprise loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from immediate holding company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Star Sense are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Star Sense after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables, amounts due to immediate holding company and a fellow subsidiary, and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Star Sense are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Star Sense has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying Star Sense's accounting policies, which are described in note 3, management has made various estimates based on expectations of the future and other information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Property held for sale

The property held for sale of Star Sense was stated at the lower of cost and net realisable value in accordance with the accounting policy stated in note 3. The net realisable value of the property held for sale is determined with reference to the property valuation performed by a firm of independent qualified professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. This estimate is regularly compared to actual market data and actual transactions entered into by Star Sense.

5. CAPITAL RISK MANAGEMENT

Star Sense manages its capital to ensure that Star Sense will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remained unchanged during the Relevant Periods.

The capital structure of Star Sense consists of net debt, which includes secured bank borrowings disclosed in note 15 and amounts due to immediate holding company and a fellow subsidiary, net of cash and cash equivalents and equity attributable to owners of Star Sense, comprising issued share capital and retained profit.

The directors of Star Sense review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, Star Sense will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1	1	229,740
Financial liabilities			
Amortised cost	—	870	13,909,777

b. **Financial risk management objectives and policies**

Star Sense's major financial instruments include amount due from immediate holding company, bank balances, other payables, amounts due to immediate holding company and a fellow subsidiary, and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Star Sense is exposed to cash flow interest rate risk in relation to Star Sense's bank borrowings with floating interest rates. It is Star Sense's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Star Sense currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Star Sense's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. Star Sense's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from Star Sense's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held contract, Star Sense's profit for the year ended 31 March 2010 would decrease/increase by approximately HK$32,000. There is no significant interest rate risk for the period from 24 July 2007 to 31 March 2008 and the year end 31 March 2009. Therefore, no sensitivity analysis is prepared.

Liquidity risk

In the management of the liquidity risk, Star Sense monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Star Sense's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

Liquidity and interest risk tables

The following table details Star Sense's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Star Sense can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 March 2010								
Other payables	—	—	12,201	—	—	—	12,201	12,201
Amount due to immediate holding company	—	6,293,616	—	—	—	—	6,293,616	6,293,616
Secured bank borrowings	1.88	—	183,403	562,355	2,982,960	4,722,729	8,451,447	7,603,960
		6,293,616	195,604	562,355	2,982,960	4,722,729	14,757,264	13,909,777

There are no financial liabilities as at 31 March 2008. Accordingly, no liquidity risk table is presented.

All financial liabilities of Star Sense are non-interest bearing and are repayable on demand as at 31 March 2009. Accordingly, no liquidity risk table is presented.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimate of interest rate determined at the end of the reporting period.

Credit risk

Star Sense's principal financial assets are amount due from immediate holding company and bank balances.

As at 31 March 2008, 2009 and 2010, Star Sense's maximum exposure to credit risk which will cause a financial loss to Star Sense due to failure to discharge obligation by the counterparties or debtors is arising from the carrying amount of respective recognised financial assets as stated in the statements of financial position.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

c. **Fair value**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values.

7. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of Star Sense that are regularly reviewed by the chief operating decision maker, the directors of Star Sense, for the purpose of allocating resources and assessing performance. During the Relevant Periods, Star Sense is a property trading company and holding a property (note 12). The chief operating decision maker reviews the management accounts of Star Sense for the purpose of resources allocation and pherformance assessment. Accordingly, the operation of Star Sense is regarded as a single operating segment.

One operating segment is presented to the chief operating decision maker. The segment revenue was HK$287,000 for the year ended 31 March 2010 and segment results were loss of HK$870 and profit of HK$52,026 for the years ended 31 March 2009 and 2010, respectively, as shown in the statement of comprehensive income on page II-99. The segment total assets were HK$1, HK$1 and HK$14,132,106 as at 31 March 2008, 2009 and 2010, respectively and the segment total liabilities were HK$870 and HK$14,080,949 as at 31 March 2009 and 2010, respectively.

The total revenue is derived from one tenant located in Hong Kong.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no fees and other emoluments are paid or payable to Ms. Tang Mui Fun, Mr. Chan Chun Hong and Ms. Chim Lai Fun, directors of Star Sense.

No charge is recognised in the statement of comprehensive income since the amount of emoluments on the director services allocated by Wang On to Star Sense is considered insignificant during the Relevant Periods.

(b) Employees' emoluments

No five highest paid individuals emoluments are presented as no employees are employed by Star Sense during the Relevant Periods.

9. (LOSS) PROFIT BEFORE TAX

	24 July 2007 to 31 March	Year ended 31 March	
	2008	2009	2010
	HK$	*HK$*	*HK$*
(Loss) profit before tax has been arrived at after charging (crediting):			
Directors' remuneration	—	—	—
Other staff costs *(Note)*	—	—	26,278
Retirement benefit scheme contributions *(Note)*	—	—	6,439
	—	—	32,717
Auditor's remuneration	—	—	6,000
Gross rental income	—	—	(287,000)
Less: outgoings	—	—	57,643
	—	—	(229,357)

Note: For the year ended 31 March 2010, Star Sense obtained services from staff of a fellow subsidiary and thus the relevant staff costs were being allocated from the fellow subsidiary to Star Sense.

10. INCOME TAX EXPENSE

The income tax expense for the year ended 31 March 2010 represents Hong Kong Profits Tax for the year. No provision for Hong Kong Profits Tax has been made in the Financial Information for the period from 24 July 2007 to 31 March 2008 and the year ended 31 March 2009 as Star Sense has no assessable profits for the period/year.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the period from 24 July 2007 to 31 March 2008 and 16.5% for the years ended 31 March 2009 and 2010.

The income tax expense for the Relevant Periods can be reconciled to the (loss) profit before tax per the statement of comprehensive income as follows:

	24 July 2007 to 31 March	Year ended 31 March	
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
(Loss) profit before tax	—	(870)	62,135
Tax at the Hong Kong Profits Tax rate (2008: 17.5%; 2009 and 2010: 16.5%)	—	(144)	10,252
Others	—	144	(143)
Income tax expense for the period/year	—	—	10,109

There were no significant unprovided deferred tax at the end of the reporting periods or during the Relevant Periods.

11. (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the (loss) earnings for the Relevant Periods attributable to the equity owner of Star Sense of loss of HK$870 and profit of HK$52,026 for the years ended 31 March 2009 and 2010, respectively, over a weighted average number of 1 ordinary share of Star Sense during the Relevant Periods. No diluted (loss) earnings per share is presented as Star Sense had no potential ordinary shares outstanding during the Relevant Periods.

12. PROPERTY HELD FOR SALE

	HK$
Additions and carrying amount at 31 March 2010	13,896,948

At 31 March 2010, Star Sense's property held for sale was pledged to secure the bank borrowings granted to Star Sense in note 15.

13. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

15. SECURED BANK BORROWINGS

	At 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Bank borrowings	—	—	7,603,960
The above bank borrowings are repayable as follows:			
On demand or within one year	—	—	607,675
More than one year, but not exceeding two years	—	—	618,914
More than two years, but not exceeding five years	—	—	1,929,209
More than five years	—	—	4,448,162
	—	—	7,603,960
Less: Amount due within one year shown under current liabilities	—	—	(607,675)
Amount due after one year	—	—	6,996,285

The effective interest rate per annum (which is also equal to contracted interest rate) of Star Sense's variable-rate borrowings is 1.75% over 3-month HIBOR at 31 March 2010.

At 31 March 2010, Star Sense's bank borrowings are secured by its property held for sale, which has a carrying amount of HK$13,896,948.

16. SHARE CAPITAL

	Authorised At 31 March 2008, 2009 and 2010 *HK$*	Issued and fully paid At 31 March 2008, 2009 and 2010 *HK$*
Ordinary shares of HK$1 each	10,000	1

17. OPERATING LEASE ARRANGEMENTS

Star Sense as lessor

Property rental income earned for the year ended 31 March 2010, net of outgoings, was HK$229,357. No rental income was earned for the period from 24 July 2007 to 31 March 2008 and the year ended 31 March 2009.

At the end of the reporting period, Star Sense had contracted with tenants for future minimum lease payments, which fall due:

	At 31 March		
	2008 *HK$*	2009 *HK$*	2010 *HK$*
Within one year	—	—	720,000
In the second to fifth years inclusive	—	—	1,440,000
	—	—	2,160,000

Operating lease payments represents rental receivable by Star Sense for its premise. Leases are negotiated and fixed for an average of three years.

18. SHARE OPTION SCHEME

Wang On operates a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to eligible participants, including any director of Star Sense. The Scheme became effective on 3 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Options granted under the Scheme are normally exercisable between the first and tenth anniversaries of the date of grant subject to an vesting condition that the eligible participant remains a director of Star Sense for a period of usually one to two years from the date of grant.

The following table discloses movements of Wang On's share options granted under the Scheme during the period ended 31 March 2008:

			Number of options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1.4.2007**	**Granted during the year**	**Adjustments made during the year**	**Outstanding at 31.3.2008**
	HK$ *(Note)*				*(Note)*	
Director						
Chan Chun Hong						
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	1,300,000	—	1,300,000
Chim Lai Fun						
1.3.2007	0.1425	1.3.2007 to 28.2.2017	2,200,000	—	41,800,000	44,000,000
2.1.2008	0.1670	2.1.2009 to 1.1.2013	—	400,000	—	400,000
			2,200,000	400,000	41,800,000	44,400,000
			2,200,000	1,700,000	41,800,000	45,700,000
Exercisable at the end of the period			2,200,000			44,000,000

The following tables disclose movements of Wang On's share options granted under the Scheme during the year ended 31 March 2009:

			Number of options			
Date of grant	**Exercise price per share** *HK$* *(Note)*	**Exercisable period**	**Outstanding at 1.4.2008**	**Granted during the year**	**Adjustments made during the year** *(Note)*	**Outstanding at 31.3.2009**
Director						
Chan Chun Hong						
2.1.2008	4.1750	2.1.2009 to 1.1.2013	1,300,000	—	(1,248,000)	52,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	2,600,000	(2,496,000)	104,000
			1,300,000	2,600,000	(3,744,000)	156,000
Chim Lai Fun						
1.3.2007	3.5625	1.3.2007 to 28.2.2017	44,000,000	—	(42,240,000)	1,760,000
2.1.2008	4.1750	2.1.2009 to 1.1.2013	400,000	—	(384,000)	16,000
8.1.2009	0.6750	8.1.2010 to 7.1.2019	—	800,000	(768,000)	32,000
			44,400,000	800,000	(43,392,000)	1,808,000
			45,700,000	3,400,000	(47,136,000)	1,964,000
Exercisable at the end of the year			44,000,000			1,780,400

The following tables disclose movements of the Wang On's share options granted under the Scheme during the year ended 31 March 2010:

Date of grant	Exercise price per share	Exercisable period	Number of options: Outstanding at 1.4.2009	Number of options: Adjustments made during the year	Number of options: Outstanding at 31.3.2010
	HK$ *(Note)*			*(Note)*	
Director					
Chan Chun Hong					
2.1.2008	1.7462	2.1.2009 to 1.1.2013	52,000	72,323	124,323
8.1.2009	0.2823	8.1.2010 to 7.1.2019	104,000	144,654	248,654
			156,000	216,977	372,977
Chim Lai Fun					
1.3.2007	1.4900	1.3.2007 to 28.2.2017	1,760,000	2,447,951	4,207,951
2.1.2008	1.7462	2.1.2009 to 1.1.2013	16,000	22,254	38,254
8.1.2009	0.2823	8.1.2010 to 7.1.2019	32,000	44,513	76,513
			1,808,000	2,514,718	4,322,718
			1,964,000	2,731,695	4,695,695
Exercisable at the end of the year			1,780,400		4,403,045

Note: Details of the adjustments on exercise price per share and the number of options during the Relevant Periods can refer to the 2008, 2009 and 2010 annual reports of Wang On.

The options granted under the Scheme vest as follows:

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

No charge is recognised in profit or loss since the amount of share options expenses on the director services allocated by Wang On to Star Sense is considered significant during the Relevant Periods.

19. RELATED PARTY DISCLOSURES

(a) Star Sense paid management fee to a fellow subsidiary amounting to HK$8,450 for the year ended 31 March 2010.

(b) Details of the balances with related parties as at the end of the reporting period are set out in the statements of financial position on page II-100 and in notes 13 and 14.

(c) Corporate guarantee is given by Wang On in respect of the secured bank borrowings set out in note 15.

B. SUBSEQUENT EVENTS

No significant event took place subsequent to 31 March 2010.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Star Sense have been prepared in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of financial information of the Target Companies for the three years ended 31 March 2010.

OVERVIEW

The Target Companies consist of Full Gainer, Grand Quality, Info World, Smart First and Star Sense, which are investment holding companies and the sole asset of each of the Target Companies is a property.

For the years ended 31 March 2008, 2009 and 2010

Financial Review

Revenue

Full Gainer did not record revenue for the year ended 31 March 2008 and 2009 respectively and recorded a revenue of HK$230,516 for the year ended 31 March 2010 because the property was only acquired during the year ended 31 March 2010.

Grand Quality recorded revenue of HK$276,774, HK$1,560,000 and HK$1,560,000 for the year ended 31 March 2008, 2009 and 2010 respectively. The revenue recorded in 2009 increased approximately 463.6% as compared to 2008 since the property was acquired in November 2007 and was rented out in January 2008. Therefore, only around three months rental income was reflected for the year ended 31 March 2008. The revenue remained stable during the two years ended 31 March 2009 and 2010.

Info World recorded the same revenue of HK$720,000 for the three years ended 2008, 2009 and 2010 since no rental adjustment was made to the property.

Smart First recorded revenue of HK$696,000, HK$864,000, HK$864,000 for the year ended 31 March 2008, 2009 and 2010 respectively. The revenue recorded in 2009 increased approximately 24.1% as compared to 2008 due to full year effect and increase in rent. The revenue remained the same during the two years ended 31 March 2009 and 2010.

Star Sense did not record revenue for the period since 24 July 2007 (the date of incorporation) to 31 March 2008 and the year ended 31 March 2009 respectively and recorded a revenue of HK$287,000 for the year ended 31 March 2010 since the property was only acquired during the year ended 31 March 2010.

Liquidity, financial resources and capital structure

As at the three years ended 31 March 2010, Full Gainer had issued and fully paid up capital of HK$1. As at the year ended 31 March 2008, 2009 and 2010, it recorded bank balances of HK$12,960, HK$9,523 and HK$580,951 respectively. As at the year ended 31 March 2008 and 2009, it did not record any bank borrowings and as at the year ended 31 March 2010, the bank borrowings of Full Gainer was HK$20,650,000. As at the year ended 31 March 2008, 2009 and 2010, it recorded net current liabilities of HK$36,355, HK$45,897 and HK$11,581,435.

As at the three years ended 31 March 2010, Grand Quality had issued and fully paid up capital of HK$2. As at the year ended 31 March 2008, 2009 and 2010, it recorded bank balances of HK$ 290,393, HK$190,536 and HK$70,537 respectively and did not record any bank borrowings. As at the year ended 31 March 2008, 2009 and 2010, it recorded net current liabilities of HK$35,128,663, HK$34,836,685 and HK$33,733,840 respectively.

As at the three years ended 31 March 2010, Info World had issued and fully paid up capital of HK$1. As at the year ended 31 March 2008, 2009 and 2010, it recorded bank balances of HK$55,881, HK$92,931 and HK$125,426 respectively and did not record any bank borrowings. As at the year ended 31 March 2008, 2009 and 2010, it recorded net current liabilities of HK$18,101,481, HK$20,247,215 and HK$19,704,942 respectively.

As at the three years ended 31 March 2010, Smart First had issued and fully paid up capital of HK$1. As at the year ended 31 March 2008, 2009 and 2010, it recorded bank balances of HK$ 31,929, HK$121,597 and HK$137,367 respectively and did not record any bank borrowings. As at the year ended 31 March 2008, 2009 and 2010, it recorded net current liabilities of HK$ 16,957,612, HK$17,739,746 and HK$17,104,184 respectively.

As at the period since 24 July 2007 (the date of incorporation) to 31 March 2008 and the two years ended 31 March 2009 and 2010, Star Sense had issued and fully paid up capital of HK$1. As at the year ended 31 March 2010, it recorded bank balances of HK$229,740 and bank borrowings of HK$7,603,960. It did not record any bank balances and bank borrowings as at the period since 24 July 2007 (the date of incorporation) to 31 March 2008 and the year ended 31 March 2009. As at the period since 24 July 2007 (the date of incorporation) to 31 March 2008 and the two years ended 31 March 2009 and 2010, it recorded net current assets of HK$1, net current liabilities of HK$869 and net current assets of HK$7,047,442 respectively.

Key financial ratios of the Target Group Companies

The gearing ratio (total borrowings to total assets) of Full Gainer for each of the year ended 31 March 2008, 2009 and 2010 was 0%, 0% and 58.9% respectively.

The gearing ratio (total borrowings to total assets) of Grand Quality for each of the year ended 31 March 2008, 2009 and 2010 was 0%, 0% and 0% respectively.

The gearing ratio (total borrowings to total assets) of Info World for each of the year ended 31 March 2008, 2009 and 2010 was 0%, 0% and 0% respectively.

The gearing ratio (total borrowings to total assets) of Smart First for each of the year ended 31 March 2008, 2009 and 2010 was 0%, 0% and 0% respectively.

The gearing ratio (total borrowings to total assets) of Star Sense for each of the year ended 31 March 2008, 2009 and 2010 was 0%, 0% and 53.8% respectively.

Foreign currency risk

Each of the Target Companies has no significant foreign exchange risk for the three years ended 31 March 2010.

Employee Information

As at the year ended 31 March 2008, 2009 and 2010, the Target Companies did not employ any employee.

Significant investment and future plans

For the three years ended 31 March 2008, 2009 and 2010, the Target Companies did not hold any significant investments except the Properties. As at the Latest Practicable Date, the business operation of the Target Companies is stable. At present, the Target Companies have no specific plans for material investments or capital assets. Upon completion of the Acquisition, the Target Companies' future plans for material investment or capital assets will be made in accordance with the Enlarged WYT Group's overall strategy and the aligned interest.

Contingent liabilities

The Target Companies did not have any contingent liabilities as at 31 March 2008, 2009 and 2010.

Mortgages and charges

Each of Grand Quality, Info World and Smart First has pledged the relevant properties and certain rental income generated therefrom to secure Wang On's general banking facilities for the year ended 31 March 2008, 2009 and 2010.

Each of Full Gainer and Star Sense has pledged the relevant properties and certain rental income generated therefrom to secure its bank borrowings for the year ended 31 March 2010.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE WYT GROUP

27 August 2010

The Directors
Wai Yuen Tong Medicine Holdings Limited
5th Floor, No. 9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS AT 31 JULY 2010 OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "WYT GROUP")

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the WYT Group, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue (including the associated bonus issue) of the Company (the "Rights Issue") might have affected the consolidated net tangible assets of the WYT Group if the Rights Issue had taken place at 31 March 2010, for inclusion in Appendix IV of the circular dated 27 August 2010 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the WYT Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the consolidated net tangible assets per share of the WYT Group as at 31 March 2010 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the WYT Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 27 August 2010

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE WYT GROUP

INTRODUCTION

The unaudited pro forma statement of adjusted consolidated net tangible assets of the WYT Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue (including the associated Bonus Issue) on the unaudited consolidated net tangible assets of the WYT Group as if the Rights Issue had taken place on 31 March 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the WYT Group is prepared based on the audited equity attributable to the owners of the Company as at 31 March 2010, as extracted from the published annual report of the Company for the year ended 31 March 2010 which are published on both the websites of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.wyth.net), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the WYT Group following the Rights Issue.

		Audited consolidated net assets of the WYT Group attributable to the owners of the Company as at 31 March 2010	Less: Intangible assets and goodwill	Adjusted consolidated net tangible assets of the WYT Group attributable to the owners of the Company as at 31 March 2010	Estimated net proceeds from the issue of Rights Shares and Bonus Shares	Unaudited pro forma adjusted consolidated net tangible assets of the WYT Group attributable to the owners of the Company after Completion of the issue of Rights Shares and Bonus Shares
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*		*(Note 3)*	
Based on the minimum number of Rights Shares and Bonus Shares to be issued	(Note 2)	1,098,988	(18,330)	1,080,658	292,043	1,372,701
Based on the maximum number of Rights Shares and Bonus Shares (with Share Options) to be issued	(Note 2)	1,098,988	(18,330)	1,080,658	292,947	1,373,605
Adjusted consolidated net tangible assets per Consolidated Share attributable to the owners of the Company as at 31 March 2010 and prior to the completion of the Rights Issue	(Note 4)					4.449
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to the owners of the Company upon the completion of the Rights Issue (Based on the minimum number of Rights Shares and Bonus Shares to be issued)	(Note 5)					0.690
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to the owners of the Company upon the completion of the Rights Issue (Based on the maximum number of Rights Shares and Bonus Shares to be issued)	(Note 6)					0.689

Notes:

1. The audited equity attributable to the owners of the Company as at 31 March 2010 is extracted from the published annual report of the Company for the year ended 31 March 2010.

2. Goodwill and other intangible assets represent the WYT Group's goodwill and other intangible assets of approximately HK$15,335,000 and approximately HK$2,995,000, (comprising an amount of HK$839,000 and an amount of HK$2,156,000 included in "assets classified as held for sale" as set out in note 27 of the published annual report of the Company for the year ended 31 March 2010) respectively, as at 31 March 2010. These figures are extracted from the published annual report of the Company for the year ended 31 March 2010.

3. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK$292.04 million are based on 1,454,387,835 Rights Shares to be issued at the subscription price of HK$0.207 per Rights Share and after deduction of estimated related expenses of approximately HK$9.02 million. The estimated net proceeds from the Rights Issue of the maximum number of Rights Shares of approximately HK$292.95 million are based on 1,458,861,835 Rights Shares to be issued at the subscription price of HK$0.207 per Rights Share and after deduction of estimated related expenses of approximately HK$9.03 million.

4. The number of shares used for the calculation of adjusted consolidated net tangible assets per Consolidated Share is based on 242,877,567 Consolidated Shares in issue as at 31 March 2010. This amount is derived by dividing the number of shares in issue as at 31 March 2010 of 6,071,939,188 shares by 25.

5. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after the completion of the Rights Issue (based on the minimum number of Rights Shares to be issued and including the issue of Bonus Shares) is calculated based on 1,988,142,969 Consolidated Shares in issue upon completion of the Rights Issue, which comprise the 242,877,567 Consolidated Shares in issue as at 31 March 2010, 1,454,387,835 Consolidated Shares to be issued pursuant to the Rights Issue and 290,877,567 Consolidated Shares upon the issue of Bonus Shares.

6. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after the completion of the Rights Issue (based on the maximum number of Rights Shares to be issued and including the issue of Bonus Shares) is calculated based on 1,993,511,769 Consolidated Shares in issue upon completion of the Rights Issue, which comprise the 242,877,567 Consolidated Shares in issue as at 31 March 2010 . 1,458,861,835 Consolidated Shares to be issued pursuant to the Rights Issue and 291,772,367 Consolidated Shares upon the issue of Bonus Shares.

7. No adjustment has been made to reflect any trading results or other transaction of the WYT Group entered into subsequent to 31 March 2010, including, inter alia, the placing of new shares by the Company and the exercise of any Share Options.

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "WYT Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed (a) every 25 shares of par value of HK$0.01 each in the issued share capital of the Company consolidated into one consolidated share of par value of HK$0.25 each; (b) reduction of the par value of all the issued consolidated shares from HK$0.25 each to HK$0.01 each; (c) 5 rights shares for every one consolidated share at HK$0.207 per rights share; (d) 1 bonus share for every 5 rights shares; and (e) acquisition of the entire interests of five companies, Smart First Investment Limited, Info World Investment Limited, Grand Quality Development Limited, Star Sense Limited and Full Gainer Investment Limited, from a subsidiary of its shareholder, Wang On Group Limited, a listed company in The Stock Exchange of Hong Kong Limited, at an aggregate consideration of HK$114,300,000 (upon completion of (a), (b), (c), (d) and (e), collectively with the Group referred to as the "Enlarged WYT Group") might have affected the financial information presented, for inclusion in Appendix V of the circular dated 27 August 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix V to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Enlarged WYT Group as at 31 March 2010 or any future date.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the WYT Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 27 August 2010

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED WYT GROUP

The following is an illustrative of the unaudited pro forma consolidated statement of financial position of the Enlarged WYT Group which has been prepared on the basis of the notes set out on pages V-5 to V-7 for the purpose of illustrating the effect as if (a), (b), (c), (d) and (e) as stated in section A (the "Transactions") have been completed on 31 March 2010.

The unaudited pro forma consolidated statement of financial position of the Enlarged WYT Group is prepared for illustrative purposes only and does not purport to describe what the financial position of the Enlarged WYT Group that would have been attained on the completion of the Transactions.

	WYT Group At 31 March 2010	Smart First Investment Limited At 31 March 2010	Info World Investment Limited At 31 March 2010	Grand Quality Development Limited At 31 March 2010	Star Sense Limited At 31 March 2010	Full Gainer Limited At 31 March 2010		Pro forma adjustments	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*		*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2*	*Note 2*	*Note 2*	*Note 2*	*Note 2*	*Note 3*		
Non-current assets									
Property, plant and equipment	27,167						(a)	120,000	147,167
Prepaid lease payments	90,004								90,004
Investment properties		22,200	20,000	36,000		34,500	(a), (b)	(90,700)	22,000
Goodwill	15,335								15,335
Interests in associates	608,966								608,966
Other intangible assets	839								839
Loans to an associate	204,307								204,307
Deferred tax assets	3,291								3,291
	949,909	22,200	20,000	36,000	—	34,500			1,091,909
Current assets									
Inventories	71,105								71,105
Trade and other receivables	68,963			4	5				68,972
Prepaid lease payments	2,500								2,500
Property held for sale					13,897		(a)	(13,897)	—
Amounts due from associates	1,668								1,668
Tax recoverable	232								232
Investments held-for-trading	25,449								25,449
Bank balances and cash	78,259	137	125	71	230	581	(c)	177,743	257,146
	248,176	137	125	75	14,132	581			427,072
Assets classified as held for sale	38,816								38,816
	286,992	137	125	75	14,132	581			465,888

	WYT Group At 31 March 2010	Smart First Investment Limited At 31 March 2010	Info World Investment Limited At 31 March 2010	Grand Quality Development Limited At 31 March 2010	Star Sense Limited At 31 March 2010	Full Gainer Limited At 31 March 2010		Pro forma adjustments	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*	*(Audited)*		*(Unaudited)*	*(Unaudited)*
	Note 1	*Note 2*	*Note 2*	*Note 2*	*Note 2*	*Note 2*	*Note 3*		
Current liabilities									
Trade and other payables	62,661	157	141	274	173	235			63,641
Tax payable	4,439		83		10	89			4,621
Deposit received for disposal of a subsidiary	5,000								5,000
Amount due to immediate holding company		17,085	19,605	33,534	6,294	10,439	(d)	(86,957)	—
Bank borrowings	11,953				605	1,400			13,958
Deferred franchise income	18								18
	84,071	17,242	19,829	33,808	7,082	12,163			87,238
Liabilities associated with assets classified as held for sale	11,013								11,013
	95,084	17,242	19,829	33,808	7,082	12,163			98,251
Net current assets (liabilities)	191,908	(17,105)	(19,704)	(33,733)	7,050	(11,582)			367,637
Total assets less current liabilities	1,141,817	5,095	296	2,267	7,050	22,918			1,459,546
Non-current liabilities									
Bank borrowings	36,500				6,999	19,250			62,749
Deferred tax liabilities	248	1,059	417	205	—	506			2,435
	36,748	1,059	417	205	6,999	19,756			65,184
Net assets (liabilities)	1,105,069	4,036	(121)	2,062	51	3,162			1,394,362
Capital and reserves									
Share capital	60,719	—	—	—	—	—	(e)	(40,838)	19,881
Reserves (deficit)	1,038,269	4,036	(121)	2,062	51	3,162	(f)	320,941	1,368,400
Equity attributable to equity owners of the Company	1,098,988	4,036	(121)	2,062	51	3,162			1,388,281
Non-controlling interests	6,081	—	—	—	—	—			6,081
Total	1,105,069	4,036	(121)	2,062	51	3,162			1,394,362

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED WYT GROUP:

1. The balances for the assets and liabilities of the WYT Group are extracted from the audited consolidated statement of financial position of the WYT Group as at 31 March 2010 as set out in the published annual report of the Company for the year ended 31 March 2010 (pages 27 and 28).

2. The balances for the assets and liabilities of Smart First Investment Limited ("Smart First"), Info World Investment Limited ("Info World"), Grand Quality Development Limited ("Grand Quality"), Star Sense Limited ("Star Sense") and Full Gainer Investment Limited ("Full Gainer") (the "Five Companies") as at 31 March 2010 are extracted from the accountants' reports as set out in Appendix II to this Circular.

3. The pro forma adjustment:

    (a) The investment properties, held by Smart First, Grand Quality and Full Gainer with total carrying amounts of HK$92,700,000 and the property held for sale, held by Star Sense with carrying amount of HK$13,897,000, as at 31 March 2010 will be used as retail shops for the sale of goods by a subsidiary of the Company. The adjustment represents the reclassification of properties from investment properties and property held for sale to property, plant and equipment of the Enlarged WYT Group amounting to HK$106,597,000 and the fair value adjustment of approximately HK$13,403,000. Such fair value adjustment has been arrived at on the basis of a valuation carried out on 31 July 2010 by an independent qualified professional valuer not connected with the WYT Group. For the preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged WYT Group, it is assumed that the fair values of the properties at 31 July 2010 approximate to their fair values at the completion date. The valuation was arrived at by reference to market values of the properties. The market value is the price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyers. The land and building elements of these properties are not considered separately as the lease payments cannot be allocated reliably between land and building elements and thus are accounted for as property, plant and equipment. Since the fair value of the properties at the date of completion of the Transactions may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of financial position of the Enlarged WYT Group, the final amount of fair value adjustment to be recognized in connection with the Transactions could be different from the estimated fair value adjustment stated herein.

    (b) The adjustment represents the reclassification of investment properties, held by Smart First, Grand Quality and Full Gainer with total carrying amounts of HK$92,700,000 to property, plant and equipment net of the recognition of an increase in fair value of the investment property, that has been rented to an associate of the Enlarged WYT Group, of HK$2,000,000. Such fair value adjustment has been arrived at on basis of a valuation carried out on 31 July 2010 by an independent qualified professional valuer not connected with the WYT Group. For the preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged WYT Group, it is assumed that the fair value of the property at 31 July 2010 approximates to its fair value at the completion date. The valuation was arrived at by reference to market value of the property. The market value is the price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyers. Since the fair value of the investment property at the date of completion of the Transactions may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of financial position for the Enlarged WYT Group, the final amount of fair value adjustment to be recognized in connection with the Transactions could be different from the estimated fair value adjustment stated herein.

    (c) To record the proceeds of 1,454,387,835 rights shares, which is the minimum number to be issued, at HK$0.207 per rights share as stated in the announcement dated 10 August 2010 totaling approximately HK$301,058,000 net of transaction costs of approximately HK$9,015,000 and the consideration of HK$114,300,000. Transaction costs are mainly service fees paid to lawyers, financial advisors and certified public accountants of the Transactions.

(d) Amount due to immediate holding company will be settled by the Company on completion of the Transactions. The adjustment reflects the elimination of intra-group balances on consolidation of the Enlarged WYT Group.

(e) The adjustment represents the effect of:

	Notes	**Number of shares**	**HK$'000**
As at 31 March 2010#		6,071,939,188	60,719
Effect of consolidation of shares	(i)	(5,829,061,621)	(58,291)
Consolidated shares##		242,877,567	2,428
Issue of rights shares	(ii)	1,454,387,835	14,544
1 bonus share for every 5 rights shares	(iii)	290,877,567	2,909
As at 31 March of the Enlarged WYT Group		1,988,142,969	19,881

\# Number and amount of shares extracted from the audited consolidated statement of financial position of the Company as at 31 March 2010 as per the published annual report of the Company for the year ended 31 March 2010 (page 94).

\## Representing the consolidation of 25 shares of par value of HK$0.01 into one consolidated share of HK$0.01 per share calculated by dividing the number/amount of shares as at 31 March 2010 by 25.

Notes:

(i) approximately HK$58,291,000 with regard to the consolidation of 25 shares of par value of HK$0.01 into one consolidated share of par value of HK$0.25 each and the reduction of the par value of all the issued consolidated shares from HK$0.25 each to HK$0.01 calculated based on number of shares as at 31 March 2010 without taking into account of the movement on the Company's share capital after 31 March 2010 as it is not related to the Transactions.

(ii) the issue of 1,454,387,835 rights shares, which is the minimum number to be issued, of approximately HK$14,544,000 calculated from multiplying the number of rights shares to be issued by the par value of the consolidated share of HK$0.01 per share; and

(iii) 1 bonus share for every 5 rights shares taken up under the rights issue of approximately HK$2,909,000 calculated by dividing the effect of the issue of 1,454,387,835 rights shares of approximately HK$14,544,000 by five.

(f) The adjustment in reserve represents

(i) the increase in share premium by HK$277,499,000 from the issue of 1,454,387,835 rights shares of approximately HK$301,058,000 calculated from multiplying the number of rights shares to be issued by HK$0.207 per rights share net of the par value of the consolidated share of HK$0.01 per share of HK$14,544,000 recorded as share capital and transaction costs of approximately HK$9,015,000;

(ii) the increase in capital reserve of HK$58,291,000 with regard to the consolidation of 25 shares of par value of HK$0.01 into one consolidated share of par value of HK$0.25 each and the reduction of the par value of all the issued consolidated shares from HK$0.25 each to HK$0.01;

(iii) the issue of 1 bonus share for every 5 rights shares which lead to a decrease in capital reserve of HK$2,909,000;

(iv) elimination of the accumulated profits of the Five Companies totaling HK$9,190,000 on consolidation of the Enlarged Group; and

(v) excess of consideration of HK$114,300,000 over (1) the net assets of approximately HK$9,190,000 of the Five Companies; (2) amount due to immediate holding company to be repaid by the Company of approximately HK$86,957,000; and (3) fair value adjustments of the investment properties and property held for sale of the Five Companies totaling approximately HK$15,403,000 amounting to HK$2,750,000 charged to profit or loss.

4. The tax indemnity given by vendor as set out on page 35 of this circular has not been taken into account in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged WYT Group as the indemnity amount cannot be measured reliably at present.

The following is the text of a letter, summary of values and valuation certificate, prepared for inclusion in this document, received from Vigers Appraisal & Consulting Limited, an independent valuer, in connection with their valuations as of 31 July 2010 of the Properties.

Vigers Appraisal & Consulting Limited
10th Floor, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon

The Directors
Wai Yuen Tong Medicine Holdings Limited
Unit A, 5/F, Wai Yuen Tong Medicine Building
9 Wang On Road
Kowloon Bay
Kowloon
Hong Kong

27 August 2010

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG

In accordance with your instructions for us to value the properties interests to be acquired by Wai Yuen Tong Medicine Holdings Limited Group and or its subsidiaries (together referred to as "the Group"), we confirm that we have inspected the properties, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of their value as at 31 July 2010 ("the date of valuation").

Our valuation represents our opinion of the market value. Market Value is defined as intended to mean - "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been made on the assumption that the owners sold the properties in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase or decrease the values of the properties.

In valuing the properties in Group 1, which are to be acquired by the Group for occupation, the direct comparison approach has been adopted with reference to comparable transactions in the market.

In valuing the property in Group II which is to be acquired by the Group for investment, we have adopted the investment approach. The approach capitalizes the rents receivable from the existing tenancies and potential reversionary market rent of the properties taking into account the rental comparables in the market.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings and rental income, floor areas, and all other relevant matters. All documents have been used for reference only and all dimensions, measurements and areas are approximates.

We have caused searches to be made at the Land Registry. We have to stress that we have not been provided the original copies of all the documents to verify their accuracy. In any events, we reserve the right to revise our valuations should there disclose any information which is in contravention to the information provided to us. Since all the properties are located in Hong Kong which is not considered as "properties situated in developing property market", legal opinion is not required.

We have inspected the exterior of the properties. However, we have not carried out any structural surveys nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties were free from any structural or non-structural defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of these properties and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties were free from any encumbrances, restrictions and outgoings of an onerous nature which could affect their values. According to "The HKIS Valuation Standards on Properties", it states that "when assessing the Market Value of a Property, any encumbrances such as mortgages, debenture, charged against it should be disregarded".

Our valuations have been prepared in accordance with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors, and the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board) and Rule 11 of the Code on Takeovers and Merger and Share Repurchase issued by the Securities and Future Commission.

We enclose herewith the summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Gilbert K. M. YUEN
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.

SUMMARY OF VALUATION

		Market Value as at 31 July 2010
Group I — Properties to be acquired by the Group for occupation		
1.	Ground Floor, 1st Floor, 2nd Floor & Rooftop, No. 68 San Hong Street, Sheung Shui, New Territories	HK$24,800,000
2.	Shop C on Ground Floor and Flat C on Mezzanine Floor, Lee Wah Building, Nos. 738-740A Nathan Road, Kowloon	HK$38,700,000
3.	Shop B on G/F & Portion of the Yard, Nos. 66, 68, 70 & 72 Tai Wai Road, Shatin, New Territories	HK$37,500,000
4.	Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong	HK$19,000,000
	SUB TOTAL:	**HK$120,000,000**
Group II — Property to be acquired by the Group for investment		
5.	Shop B on Ground Floor, Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon	HK$22,000,000
	GRAND TOTAL:	**HK$142,000,000**

VALUATION CERTIFICATES

Group I — Properties to be acquired by the Group for occupation

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 July 2010
1.	Ground Floor, 1st Floor, 2nd Floor & Rooftop, No. 68 San Hong Street, Sheung Shui, New Territories 3/6th shares of and in Section A of Lot No. 3841 in D.D. 91 and the Remaining Portion of Lot No. 3841 in D.D. 91	The property comprises the Ground Floor, 1st Floor and 2nd Floor and the roof top of No. 68 San Hong Street which is developed together with No. 66 San Hong Street. The building is 3 storeys in height completed in about1966. The saleable area of the ground floor is approximately of 956 sq.ft. (88.81 sq.m.) plus a yard of 60 sq.ft. (5.57 sq.m.); the saleable floor area of each of the 1st Floor and 2nd Floor is approximately 694 sq.ft (64.47 sq.m.). The property is held under New Grant No. 9214 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 31 July 2010, the property was leased as follows:- Ground Floor was leased to the Group for a term of 2 years expiring on 31 March 2011 at a monthly rent of $60,000 exclusive of rates and management fees but inclusive of government rent. 1st Floor and 2nd Floor was leased at a monthly rent of $12,000 exclusive of rates and management fees but inclusive of government rent.	HK$24,800,000

Notes:

1. The registered owner is Smart First Investment Limited.

2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all moneys vide Memorial No. 07101000710098 dated 24 September 2007.

3. The property is subject to an Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 07101000710102 dated 24 September 2007.

4. The property is subject to an Order No. UBF/F06-116/0001/08 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 10010500360171 dated 14 September 2009. Letter of Compliance vide Memorial No. 10080500620300 dated 14 June 2010 which is deed pending registration.

5. According to the Group, the estimated costs to comply with the above Building Order is in the total sum of HK$50,000, of which the property will share HK$25,000 in proportion to the undivided shares. Our valuation has not reflected this estimated sum. This is in line with the assumption that the property was free from any encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 July 2010
2.	Shop C on Ground Floor and Flat C on Mezzanine Floor, Lee Wah Building, Nos. 738-740A Nathan Road, Kowloon 2/54th shares of and in the Remaining Portion of Kowloon Inland Lot No. 2150 and the Remaining Portion of Section B of Kowloon Inland Lot No. 2157	The property comprises a shop unit on the ground floor and the mezzanine floor of a 16-storey commercial/residential composite building completed in 1963. The saleable area of the ground floor is approximately of 737 sq.ft. (68.47 sq.m.) plus a yard of 77 sq.ft. (7.15 sq.m.); the floor area of Mezzanine Floor is approximately of 425 sq.ft (39.48 sq.m.). The property is held under a Government Lease as follows:- K.I.L. 2150 R.P. - For a term of 75 years from 15 October 1928 with a right of renewal for a further term of 75 years. K.I.L. 2157 S.B.R.P. - For a term of 75 years from 3 December 1928 with a right of renewal for a further term of 75 years. The government rent is totally HK$200,248 for the whole of the subject lots.	As provided by the Group as at 31 July 2010, the property was leased to the Group for a term of 3 years expiring on 27 January 2011 at a monthly rent of $130,000 exclusive of rates and management fees but inclusive of government rent.	HK$38,700,000

Notes:

1. The registered owner is Grand Quality Development Limited.

2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of part of all moneys vide Memorial No. 08021800680036 dated 28 January 2008.

3. The property is subject to an Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 08021800680042 dated 28 January 2008.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 July 2010
3.	Shop B on G/F & Portion of the Yard, Nos. 66, 68, 70 & 72 Tai Wai Road, Shatin, New Territories 2/21st shares of and in Lot No. 951 in D.D. 180	The property comprises a shop unit on the ground floor of a 6-storey composite building completed in 1974. The saleable area of the property is approximately 655 sq.ft. (60.85 sq.m.) plus a yard of approximately 164 sq.ft. (15.24 sq.m.). The property is held under New Grant No. 10665 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 31 July 2010, the property was leased to the Group for a term of 3 years expiring on 22 February 2013 at a monthly rent of $90,000 exclusive of rates and management fees but inclusive of government rent.	HK$37,500,000

Notes:

1. The registered owner is Full Gainer Investment Limited.

2. The property is subject to Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all moneys vide Memorial No. 09111701180075 dated 22 October 2009.

3. The property is subject to an Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 09111701180082 dated 22 October 2009.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 July 2010
4.	Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong 28/914th shares of and in the Remaining Portion of Section D and the Remaining Portion of Aberdeen Inland Lot No. 86	The property comprises a shop unit on the ground floor of a 23-storey commercial building completed in 1991. The saleable area of the property is approximately 434 sq.ft. (40.32 sq.m.) The property is held under Government Lease for a term of 75 years commencing from 29 July 1918 and renewed for a further term of 75 years. The government rent is totally HK$169,948 per annum for the whole of the subject lots.	As provided by the Group as at 31 July 2010, the property was leased to the Group for a term of 3 years expiring on 31 March 2013 at a monthly rent of $60,000 exclusive of rates and management fees but inclusive of government rent.	HK$19,000,000

Notes:

1. The registered owner is Star Sense Limited.

2. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to the extent of all moneys vide Memorial No. 09071402150118 dated 2 July 2009.

3. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited to the extent of all moneys vide Memorial No. 09071402150129 dated 2 July 2009.

Group II — Property to be acquired by the Group for investment

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 July 2010
5.	Shop B on Ground Floor, Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon 1/60th share of and in Kwun Tong Inland Lot Nos. 457 and 458	The property comprises a shop unit on the ground floor of a 9-storey commercial/residential composite building completed in 1965. The saleable area of the property is approximately of 452 sq.ft. (41.99 sq.m.). The property is held under Conditions of Sales Nos. 8098 and 8099, both for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 31 July 2010, the property was leased to the Group for a term of 2 years expiring on 24 July 2011 at a monthly rent of $60,000 exclusive of rates and management fees but inclusive of government rent.	HK$22,000,000

Notes:

1. The registered owner is Info World Investment Limited.

2. The property is subject to a Mortgage in favour of China Construction Bank Corporation to secure part of all sums of money including general banking facilities vide Memorial No. 07120502330287 dated 7 November 2007.

1. RESPONSIBILITY STATEMENT

This circular, for which the WYT Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to WYT Group. The WYT Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of WYT (i) as at the Latest Practicable Date; and (ii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming no exercise of the outstanding Share Options before the Record Date and Time); and (iii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming exercise of all the outstanding Share Options before the Record Date and Time) were as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
60,000,000,000	Shares of HK$0.01 each	600,000,000.00
Issued and fully paid:		
7,271,939,188	Shares	72,719,391.88

(ii) Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming no exercise of the outstanding Share Options before the Record Date and Time)

Authorised:		*HK$*
60,000,000,000	Adjusted Shares of HK$0.01 each	600,000,000.00
Issued and to be issued:		
290,877,567	Adjusted Shares in issue before completion of the Rights Issue	2,908,775.67
1,745,265,402	Rights Shares (with the Bonus Shares) to be allotted and issued under the Rights Issue (with the Bonus Issue)	17,452,654.02
2,036,142,969	Adjusted Shares in issue immediately after completion of the Rights Issue (with the Bonus Issue)	20,361,429.69

(iii) **Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming exercise of all the outstanding Share Options before the Record Date and Time)**

Authorised:		*HK$*
60,000,000,000	Adjusted Shares of HK$0.01 each	600,000,000.00
Issued and to be issued:		
291,772,367	Adjusted Shares in issue before completion of the Rights Issue (with the Bonus Issue)	2,917,723.67
1,750,634,202	Rights Shares to be allotted and issued under the Rights Issue (with the Bonus Issue)	17,506,342.02
2,042,406,569	Adjusted Shares in issue immediately after completion of the Rights Issue (with the Bonus Issue)	20,424,065.69

All of the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of WYT is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Adjusted Shares (as the case may be) or Rights Shares or any other securities of WYT to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save as the Share Options, WYT had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

(b) **Options, derivatives, warrants and conversion rights:**

Set out below are the details of the outstanding Share Options granted under the Share Option Scheme as at the Latest Practicable Date:

Date of grant	Number of underlying Shares which are the subject of the outstanding Share Options	Exercise price per Share *HK$*	Exerciseable period *(Note)*
3 January 2007	3,280,000	0.415	2/1/2008 - 1/1/2012
2 January 2008	4,590,000	0.226	2/1/2009 - 1/1/2013
8 January 2009	6,050,000	0.145	8/1/2010 - 7/1/2019
12 May 2010	8,450,000	0.052	12/5/2011 - 11/5/2020

Note: The Share Options 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

Save as disclosed herein, there was no other outstanding options, derivatives, warrants or conversion rights affecting WYT Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the WYT Directors or chief executive of WYT and/or any of their respective associate had any interest or short position of the Directors in the Shares, underlying Shares and debentures of WYT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to WYT and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to WYT and the Stock Exchange were as follows:

Long positions in underlying shares of the Share Options

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 % of WYT's total issued share capital *(Note 2)*
Tang Mui Fun	3.1.2007	0.415	650,000	2.1.2008-1.1.2012	650,000		
	2.1.2008	0.226	650,000	2.1.2009-1.1.2013	650,000		
	8.1.2009	0.145	650,000	8.1.2010-7.1.2019	650,000	1,950,000	0.03

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 of shareholding in WYT is calculated on the basis of 7,271,939,188 Shares in issue as at the Latest Practicable Date.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the WYT Directors or chief executive of WYT, no persons (not being a WYT Director or chief executive of WYT) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to WYT under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged WYT Group or had any option in respect of such share capital.

Long positions in the Adjusted Shares

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

Notes:

1. The interests are based on (i) the Share Consolidation has become effective; (ii) the Rights Issue and the Bonus Issue have completed on the basis that the Share Options have been exercised in full on the Record Date and Time; and (iii) 2,042,406,569 Adjusted Shares will be in issue upon the Share Consolidation, the Rights Issue and the Bonus Issue becoming effective.

2. Rich Time is wholly-owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in such Adjusted Shares.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(i) As at the Latest Practicable Date, none of the WYT Directors or their respective associates had any interest in a business which competes with or may compete with the business of the Enlarged WYT Group.

(ii) There is no contract or arrangement entered into by any member of the Enlarged WYT Group, subsisting as at the Latest Practicable Date in which any of the WYT Directors is materially interested and which is significant in relation to the business of the Enlarged WYT Group as a whole.

6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	**Qualification**
Nuada	A corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
Vigers Appraisal & Consulting Limited ("**Vigers**")	Professional Property Valuers

As at the Latest Practicable Date, none of Nuada, Deloitte and Vigers had any direct or indirect shareholdings in any member of the Enlarged WYT Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged WYT Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to WYT, Nuada, Deloitte and Vigers or any of their respective subsidiaries, respectively, since 31 March 2010, the date to which the latest published audited financial statements of the Enlarged WYT Group were made up.

Each of Nuada, Deloitte and Vigers has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the WYT Directors had entered into any service contracts with WYT or any other member(s) of the Enlarged WYT Group (excluding contracts expiring or which may be terminated by WYT within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged WYT Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the WYT Directors to be pending or threatened against any member of the Enlarged WYT Group.

9. MATERIAL ADVERSE CHANGES

WYT Directors are not aware of any material adverse changes in the financial or trading position of the Enlarged WYT Group since 31 March 2010, being the date of which the latest published audited financial statements of the WYT Group were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged WYT Group within two years preceding the date of the Announcement and up to and including the Latest Practicable Date and are or may be material:

(a) The Underwriting Agreement.

(b) The Sale and Purchase Agreement, together with the Deed of Guarantee.

(c) A loan agreement dated 11 August 2010 entered into between Gain Better Investments Limited ("**Gain Better**") and LeRoi Holdings Limited ("**LeRoi**") in respect of an unsecured loan of HK$15 million advanced by Gain Better to LeRoi for a term of three years from the date of the drawdown.

(d) A provisional sale and purchase agreement dated 15 May 2010 entered into between Union Target Limited, a wholly-owned subsidiary of WYT, and an independent third party in relation to the acquisition of a property located at Shop G on ground floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113 and 115 Hip Wo Street, Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet for a total consideration of HK$34.5 million.

(e) A placing agreement dated 12 April 2010 entered into between WYT and Kingston in respect of the placing of a maximum of 1.2 billion new Shares, on a best efforts basis, to independent third parties at a price of HK$0.053 per Share. Net proceeds of approximately HK$61.5 million were raised.

(f) A conditional sale and purchase agreement dated 10 December 2009 entered into between China Field Enterprises Limited, a wholly-owned subsidiary, and 湖南方盛製藥股份有限公司 (Hunan Fangsheng Pharmaceutical Co Limited) in respect of the disposal of 64.2% equity interest in Hunan Xiangya Pharmaceutical Co Limited, a company established in the PRC, for an aggregate consideration of approximately HK$37.35 million.

(g) A conditional loan agreement dated 28 August 2009 entered into between Gain Better and LeRoi in relation to an unsecured loan of HK$190 million to be advanced by Gain Better to LeRoi for a term of four years from the date of drawdown.

(h) A loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi in respect of an unsecured loan of HK$10 million advanced by Gain Better to LeRoi for a term of two years from the date of the loan agreement.

(i) A licence agreement dated 30 June 2009 entered into between WYT, as licensor, and Wang On Management Limited ("**Wang On Management**"), as licensee, in respect of the sub-lease of certain portions of the spaces on G/F and 5/F of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a gross floor area of approximately 1,487 square meters to Wang On Management for a monthly rental of HK$140,000 for a term of three years commencing from 1 July 2009.

(j) A placing and subscription agreement dated 11 May 2009 entered into between Rich Time, WYT and Kingston in respect of the top-up placing of a maximum of 165 million Shares, on a best efforts basis, to independent third parties at a price of HK$0.088 per Share. Net proceeds of approximately HK$13.5 million were raised.

(k) A placing agreement dated 11 May 2009 entered into between WYT and Kingston in respect of the placing of a maximum of 237 million new Shares, on a best efforts basis, to independent third parties at a price of HK$0.088 per Share. Net proceeds of approximately HK$20.1 million were raised.

(l) A loan agreement dated 23 February 2009 entered into between Gain Better and LeRoi in respect of an unsecured loan of HK$10 million advanced by Gain Better to LeRoi for a term of one year from the date of drawdown.

(m) A loan agreement dated 3 November 2008 entered into between Rich Time and WYT in respect of a loan facility of not exceeding HK$30 million advanced by Rich Time to WYT for a term of one year from the date of each drawdown.

(n) A loan agreement dated 2 October 2008 entered into between Rich Time and WYT in respect of an unsecured loan of HK$5 million advanced by Rich Time to WYT for a period of one year from the date of drawdown.

(o) A loan agreement dated 22 September 2008 entered into between Bright Leading Limited ("**Bright Leading**"), a wholly-owned subsidiary of WYT, and Hunan Xiangya in respect of an unsecured loan of a sum of HK$3 million advanced by Bright Leading to Hunan Xiangya for a term of five years from the date of the loan agreement for establishment of a production line by Hunan Xiangya.

(p) Various contract notes dated 11 and 18 September 2008 entered into between WYT and certain holders of the convertible notes due on 14 August 2009 issued by WYT on 14 August 2007 with an aggregate principal sum of HK$250 million to purchase an aggregate outstanding sum of HK$48 million at a discount of 2.5%.

(q) A loan agreement dated 5 September 2008 entered into between Rich Time and WYT in respect of an unsecured loan of HK$5 million advanced by Rich Time to WYT for a period of one year from the date of drawdown.

(r) A shareholders agreement dated 1 September 2008 entered into between G Six Investments Ltd ("**G Six**"), New Precise Limited and CNT Health Food Pte Limited ("**CNT**"), the then indirect wholly-owned subsidiary of WYT incorporated in Singapore, immediately following the entering into of the subscription agreement set out in item (s) below, in respect of regulating the management of CNT.

(s) A share subscription agreement dated 1 September 2008 entered into between G Six, as investor, and CNT in respect of (i) the subscription of 84,737 ordinary shares in the issued share capital of CNT by G Six, comprising 5% of the total number of issued shares of CNT as at 25 September 2008 for an aggregate consideration of S$84,737; and (ii) the grant of a call option to G Six to subscribe for up to a maximum of 29% of the total number of issued shares of CNT subject to the terms and conditions set out in the aforesaid subscription agreement.

11. CORPORATE INFORMATION

Registered office of WYT	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business of WYT in Hong Kong	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Branch share registrar and transfer office of WYT in Hong Kong	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Authorised representatives	Tang Ching Ho 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
	Chan Chun Hong, Thomas 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Company secretary	Mak Yuen Ming, Anita, *ACIS, ACS* 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Legal advisers to WYT	DLA Piper Hong Kong 17/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	Freshfields Bruckhaus Deringer 11/F., Two Exchange Square Central Hong Kong
	Gallant Y.T. Ho & Co. 5/F., Jardine House 1 Connaught Place Central Hong Kong
	Morrison & Foerster 33/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong

Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F., One Pacific Place 88 Queensway Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited Unit 1209-18 Miramar Tower 132-134 Nathan Road Tsimshatsui Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong

DIRECTORS

Particulars of Directors

Name	**Address**
Executive Directors	
Tang Ching Ho	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Chan Chun Hong, Thomas	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Tang Mui Fun	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong

Independent non-executive Directors

Leung Wai Ho	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Yuen Chi Choi	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Siu Man Ho, Simon	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Cho Wing Mou	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong

Executive WYT Directors:

Mr. Tang Ching Ho, aged 48, was appointed as the Chairman of WYT in August 2001. He is also a member of remuneration committee and nomination committee of WYT. He is responsible for the strategic planning, policy making and business development of the WYT Group. He has extensive experience in corporate management. He is also the chairman of Wang On, a company listed on the Stock Exchange. Mr. Tang is also appointed as a standing committee member of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and a standing committee member of the third CPPCC Guangxi Yulin City Committee. He is a brother of Ms. Tang Mui Fun, the executive WYT Director.

Mr. Chan Chun Hong, Thomas, aged 46, was appointed as the Managing Director of WYT in August 2001. He is also a member of remuneration committee and nomination committee of WYT. He is responsible for managing the corporate matters and overall management and supervision of the WYT Group. He graduated from the Hong Kong Polytechnic University with a bachelor degree in accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He is also the managing director of Wang On, the chairman and managing director of LeRoi, the chairman of chief executive officer of China Agri-Products Exchange Limited and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange.

Ms. Tang Mui Fun, aged 39, joined the WYT Group in 2000 and was appointed as the Executive WYT Director in September 2007. She is responsible for the overall strategic planning and development and policy making for the core business of the WYT Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the WYT Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the Chairman of WYT.

Independent non-executive WYT Directors:

Mr. Leung Wai Ho, aged 60, was re-designated as an Independent Non-executive WYT Director in April 2006 from non-executive WYT Director and has joined the WYT Group since 1994. Mr. Leung is a member of audit committee, remuneration committee and nomination committee of WYT. He has more than 45 years' and 16 years' of experiences in watch industry and financial industry respectively. He is a National Committee Member of the Chinese People's Political Consultative Conference, a Standing Committee Member of Hebei Province of the Chinese People's Political Consultative Conference, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, a Honorary President of Hong Kong Chamber of Commerce in China — Guangdong. Mr. Leung was re-designated as the Chartered President of Dongguan City Association of Enterprises with Foreign Investment.

Mr. Yuen Chi Choi, aged 49, joined WYT as an Independent Non-executive WYT Director in August 2001. He is the chairman of audit committee of WYT and a member of remuneration committee and nomination committee of WYT. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 19 years of audit experience.

Mr. Siu Man Ho, Simon, aged 36, joined WYT as an Independent Non-executive WYT Director in August 2001. He is a member of audit committee and nomination committee of WYT and the chairman of remuneration committee of WYT. Mr. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of the law firm, namely Sit, Fung, Kwong & Shum. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters.

Mr. Cho Wing Mou, aged 69, joined WYT as an Independent Non-executive WYT Director in September 2001. He is a member of audit committee and remuneration committee of WYT and the chairman of nomination committee of WYT. Mr. Cho has over 42 years of experience in banking industry and was formerly as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st and 2nd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

12. PARTIES INVOLVED IN THE RIGHTS ISSUE AND THE BONUS ISSUE

Financial adviser to WYT	Kingston Corporate Finance Limited Suite 2801, 28/F. One International Finance Centre 1 Harbour View Street Central Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28/F. One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal adviser to WYT	*As to Hong Kong Law:* Freshfields Bruckhaus Deringer 11/F., Two Exchange Square Central Hong Kong *As to Bermuda Laws:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F., One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

13. MISCELLANEOUS

The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

14. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK$9.02 million on the basis of 1,454,387,835 Rights Shares (with the Bonus Shares) to be issued or approximately HK$9.03 million on the basis of 1,458,861,835 Rights Shares (with the Bonus Shares) to be issued, and will be payable by WYT.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of WYT in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the Bye-laws of WYT;

(b) the annual reports of WYT for the three financial years ended 31 March 2008, 2009 and 2010;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 40 and 41 of this circular;

(d) the letter of advice from Nuada, the text of which is set out on pages 42 to 53 of this circular;

(e) The audited financial statements of Full Gainer, Grand Quality, Info World and Smart First for the years ended 31 March 2008, 2009 and 2010 and the audited financial statements of Star Sense for the period from 24 July 2007 (date of incorporation) to 31 March 2010, as set out in the Appendix II to this circular;

(f) the letter on the unaudited pro forma financial information of the Enlarged WYT Group in respect of the Rights Issue issued by Deloitte, the text of which is set out in Appendix IV to this circular;

(g) the letter on the unaudited pro forma financial information of the Enlarged WYT Group in resepct of the Acquisition issued by Deloitte, the text of which is set out in Appendix V to this circular;

(h) the valuation report issued by Vigers as set out in Appendix VI to this circular;

(i) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and

(j) the written consents referred to in the paragraph under the heading "Experts" in this Appendix.

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)

NOTICE IS HEREBY GIVEN that a special general meeting of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") will be held at 11/F., Two Exchange Square, Central, Hong Kong at 11:30 a.m. on Tuesday, 21 September 2010 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as special and ordinary resolutions respectively:

SPECIAL RESOLUTION

1. "**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Adjusted Shares (as defined below); and (ii) the compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reorganisation (as defined below), with effect from 5:00 p.m. on the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) on which this resolution is passed by the shareholders of the Company (the "**Shareholders**"):

   (a) every twenty-five (25) issued shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) issued share of par value of HK$0.25 (the "**Consolidated Share(s)**") (the "**Share Consolidation**");

   (b) the total number of the Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be rounded down to a whole number by canceling the fractional Consolidated Share arising from the Share Consolidation;

   (c) the par value of each issued Consolidated Share be reduced (together with subparagraph (b) above are hereinafter referred to as the "**Capital Reduction**") from HK$0.25 to HK$0.01 by canceling HK$0.24 of the paid-up capital on each issued Consolidated Share to form a share of par value of HK$0.01 (the "**Adjusted Share(s)**");

   (d) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company and the directors of the Company (the "**Directors**") be and are hereby authorised to apply the amount in the contributed surplus account of the Company to set off

* *For identification purposes only*

the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws of the Company (the "**Bye-laws**") without further authorisation from the Shareholders (together with the Share Consolidation and the Capital Reduction are herein referred to as the "**Capital Reorganisation**"); and

(e) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to any of the foregoing or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to any of the foregoing and the transactions contemplated thereunder including without limitation to aggregate all of the fractional shares and to sell them for the benefit of the Company."

ORDINARY RESOLUTIONS

2. "**THAT**

(a) subject to and conditional upon the passing of the resolutions numbered 1 and 3 and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, "**Rights Issue**" means the proposed issue by way of Rights Issue of not less than 1,454,387,835 Adjusted Shares and not more than 1,458,861,835 Adjusted Shares (the "**Rights Shares**") at a subscription price of HK$0.207 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the date and time by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the "**Excluded Shareholders**") with addresses on the register of members of the Company are outside Hong Kong whom the Directors, after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of five (5) Rights Shares for every one (1) Adjusted Share then held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**") (a copy of which has been produced to this Meeting marked "A" and initialled by the chairman of this Meeting for the purpose of identification) dated 5 August 2010 and made between the Company and Kingston Securities Limited as underwriter (the "**Underwriter**");

(b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares the same may be offered, allotted or issued otherwise than to the Excluded Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved; and

(d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder."

3. "**THAT**

(a) subject to and conditional upon the passing of the resolutions numbered 1 and 2 and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Shares (as defined below), the issue (the "**Bonus Issue**") of new Adjusted Shares (the "**Bonus Shares**"), credited as fully paid, to the first registered holders of the Adjusted Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue be and is hereby approved;

(b) any Director be and is hereby authorised to allot and issue the Bonus Shares pursuant to or in connection with the Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(c) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Bonus Issue (including the appropriation of such sum from any available reserve of the Company in accordance with the Bye-laws in paying up in full the Bonus Shares) or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Bonus Issue and the transactions contemplated thereunder."

4. "**THAT**

(a) the conditional sale and purchase agreement dated 6 August 2010 entered into between East Run Investments Limited (the "**Vendor**"), a wholly-owned subsidiary of Wang On Group Limited, and Guidepost Investments Limited ("**Guidepost**"), a wholly-owned subsidiary of the Company (as supplemented by a deed of guarantee dated 9 August 2010 executed by

Wang On Group Limited, the Vendor and Guidepost) (the "**Sale and Purchase Agreement**") (a copy of which is tabled at this meeting and marked "B" and initialled by the chairman of this meeting for the purpose of identification) and more particularly described in the circular of the Company dated 27 August 2010, (the "**Circular**") pursuant to which the Vendor has conditionally agreed to dispose of and Guidepost has conditionally agreed to purchase the entire issued share capital and the shareholders' loans of the Target Companies (as defined in the Circular) for a total consideration as determined in the Sale and Purchase Agreement, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Agreement as he/she may in his/her absolute discretion consider necessary or desirable; and

(c) any one director of Guidepost be and is hereby authorised for and on behalf of Guidepost to execute all such documents, instruments agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Agreement as he/she may in his/her absolute discretion consider necessary or desirable."

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 27 August 2010

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

* *For identification purposes only*

Notes:

(1) A member entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more than one proxy, to attend and to vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Registrar, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time for holding of the special general meeting or any adjournment thereof.

(3) Completion and delivery of the form of proxy will not preclude members from attending and voting at the special general meeting or any adjournment thereof (as the case may be) and in such event, the form of proxy shall be deemed to be revoked.