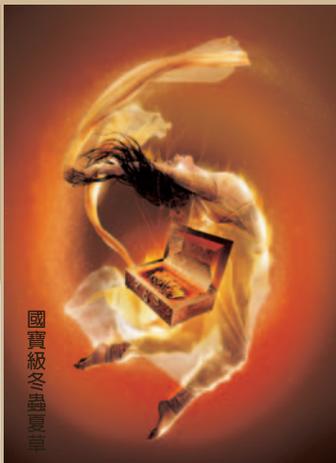


# Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)



Interim Report 2009

STOCK CODE: 897



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### NOMINATION COMMITTEE

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

#### COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

### PRINCIPAL BANKERS

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

### AUDITORS

Deloitte Touche Tohmatsu

### LEGAL ADVISERS

DLA Piper Hong Kong  
Freshfields Bruckhaus Deringer  
Gallant Y.T. Ho & Co.

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

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

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

### HOMEPAGE

[www.wyth.net](http://www.wyth.net)

### STOCK CODE

897

## INTERIM DIVIDEND

The board of directors (the “**Board**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six-month period ended 30 September 2009, the Company and its subsidiaries (the “**Group**”) recorded a turnover and a loss attributable to owners of the Company of approximately HK\$229.2 million (2008: approximately HK\$230.7 million) and approximately HK\$26.0 million (2008: approximately HK\$174.8 million), respectively.

#### (1) Chinese Pharmaceutical Products

Turnover for the period under review increased by approximately 3.6% from approximately HK\$154.8 million for the same period last year to approximately HK\$160.3 million. Despite the challenging business conditions, the Group continued to place efforts in different marketing and brand reinforcement activities, such as joint marketing promotion with the famous brand “Rejoice”, which are aimed at driving sales and raising public awareness of our brand “Wai Yuen Tong”. The Group has closely monitored changes in the market and will adopt every decisive measure to optimise the results of such marketing activities.

#### (2) Western Pharmaceutical Products

Turnover of Western pharmaceutical and health food products grew approximately 3.8% from approximately HK\$57.5 million to approximately HK\$59.7 million. The brand position of “Madame Pearl’s” as “the Respiratory Specialist” was strengthened after the Group had successfully launched the Madame Pearl’s BreathEasy Patch and Mucolytic series last year. During the period under review, personal care products, such as the MosquitOut series, under its secondary brand “Pearl’s” were launched which were well received by the market. With the co-brands “Madame Pearl’s” and “Pearl’s”, the Group has diversified its product portfolio which has synergetic effects on its business as a whole.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (Continued)

#### (3) Bottled Birds' Nest Drinks Products

The Group's business of the manufacture of bottled birds' nest drinks products was operated through the Group's production arm in Singapore, CNT Health Food Pte Limited ("**CNT**"). During the period under review, like most companies in the manufacturing industry, the Group was hard hit by the financial tsunami. The turnover decreased by approximately 50.0% from approximately HK\$18.4 million to approximately HK\$9.2 million. Besides the existing bottled birds' nest drinks and herbal essence products, the Group is exploring the possibility of diversifying its product range and expanding its business into Mainland China and overseas Chinese communities.

#### (4) Investment in LeRoi Holdings Limited ("**LeRoi**")

The Group diversified its investment portfolio by making an investment in LeRoi, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which was principally engaged in property development in the PRC and sale of fresh pork meat and related products. During the period under review, LeRoi diversified its activities into the natural resources business. For the six-month period ended 30 September 2009, LeRoi and its subsidiaries recorded a turnover of approximately HK\$29.0 million (2008: approximately HK\$30.9 million) and net loss attributable to equity holders from continuing operations amounted to approximately HK\$51.8 million (2008: approximately HK\$47.2 million). As at the end of the reporting period, the Group held 29.97% equity interest in LeRoi.

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

On 18 November 2009, the Company completed the acquisition of 1,463,835,000 shares in the capital of LeRoi from independent third parties and in return issued 3,659,587,500 consideration shares of HK\$0.01 each in the Company pursuant to a partial share exchange offer made by a wholly-owned subsidiary of the Company, details of which were set out in the composite document jointly issued by the Company and LeRoi on 9 October 2009. Upon completion of the aforesaid transaction and up to the date of this report, the Company increased its shareholding interest in LeRoi from the 29.97% at the end of the reporting period to 49.00%.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### (1) Top-up Placing and Placing of New Shares

On 11 May 2009, the Company entered into (i) a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, 165 million shares to independent investors at a price of HK\$0.088 per share; and (ii) a new placing agreement with the placing agent to place, on a best effort basis, 237 million shares to independent investors at a price of HK\$0.088 per share. Aggregate net proceeds of approximately HK\$33.6 million were raised for repayment of interest-bearing debts and general working capital requirements of the Group. The aforesaid transactions were completed on 21 May 2009 and 26 May 2009, respectively.

#### (2) Liquidity and Financial Resources

As at 30 September 2009, the Group's total borrowings amounted to approximately HK\$75.8 million (31 March 2009: approximately HK\$91.8 million) which included bank borrowings of approximately HK\$57.3 million (31 March 2009: approximately HK\$63.4 million), loan from a shareholder of HK\$15.0 million (31 March 2009: HK\$25.0 million) and advances from minority shareholders of a subsidiary of approximately HK\$3.5 million (31 March 2009: approximately HK\$3.4 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 12.6% (31 March 2009: approximately 15.5%).

### FOREIGN EXCHANGE

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEES

As at 30 September 2009, the Group had 668 employees, of whom approximately 56.3% were located in Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing market rates. The Group also has a share option scheme for the employees' benefit.

### PROSPECTS

It is generally believed that the impact of the financial tsunami on the global economy will gradually diminish and positive economic signs will show up. The Group will consider the expansion of its retail outlets in the PRC to enlarge its market share.

As for Western pharmaceutical products, in addition to maintaining the brand position of "Madame Pearl's" as the "Respiratory Specialist", the Group will continue to launch new products and reinforce its secondary brand of "Pearl's" so as to diversify its product portfolio and optimise its results.

With respect to the bottled birds' nest drinks business, a series of measures which the Group has adopted aimed at increasing revenue and operating efficiency and controlling costs have started to reap positive results for their business.

## DISCLOSURE OF INTERESTS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2009, the interests and short positions of the directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Long positions in underlying shares of share options of the Company:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying shares	Number of total underlying shares	Approximate percentage of the Company's total issued share capital (Note 2) %
Tang Mui Fun	3.1.2007	0.415	650,000	2.1.2008 to 1.1.2012	650,000		
	2.1.2008	0.226	650,000	2.1.2009 to 1.1.2013	650,000		
	8.1.2009	0.145	650,000	8.1.2010 to 7.1.2019	650,000	1,950,000	0.08

Notes:

- 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
- The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2009 of 2,412,351,688 shares.

## **DISCLOSURE OF INTERESTS** (CONTINUED)

### **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS** (Continued)

Save as disclosed above, as at 30 September 2009, none of the directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire such rights in any other body corporate.

## DISCLOSURE OF INTERESTS (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, to the best knowledge of the directors, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Number of shares	Approximate percentage of the Company's total issued share capital (Note 2) %
Wang On Group Limited (" <b>Wang On</b> ") (Note 1)	527,009,324	21.85
Wang On Enterprises (BVI) Limited (" <b>WOE</b> ") (Note 1)	527,009,324	21.85
Rich Time Strategy Limited (" <b>Rich Time</b> ") (Note 1)	527,009,324	21.85

Notes:

- Rich Time is wholly owned by WOE, which is wholly owned by Wang On. WOE and Wang On were deemed to be interested in 527,009,324 shares held by Rich Time.
- The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2009 of 2,412,351,688 shares.

Save as disclosed above, as at 30 September 2009, there were no other persons (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the “Scheme”) for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group. The Scheme became effective on 18 September 2003 and, unless otherwise terminated earlier, will remain in force for a period of 10 years until 18 September 2013.

The movements in the share options under the Scheme during the period under review were as follows:

Name or category of participant	Number of share options			Date of grant	Exercise price per share HK\$	Exercisable period*
	Outstanding as at 1 April 2009	Granted, exercised, lapsed and cancelled during the period	Outstanding as at 30 September 2009			
<b>Executive Director</b>						
Tang Mui Fun	650,000	—	650,000	3.1.2007	0.415	2.1.2008 to 1.1.2012
	650,000	—	650,000	2.1.2008	0.226	2.1.2009 to 1.1.2013
	650,000	—	650,000	8.1.2009	0.145	8.1.2010 to 7.1.2019
	<u>1,950,000</u>	<u>—</u>	<u>1,950,000</u>			
<b>Other employees</b>						
In aggregate	3,070,000	(320,000)	2,750,000	3.1.2007	0.415	2.1.2008 to 1.1.2012
	5,450,000	(520,000)	4,930,000	2.1.2008	0.226	2.1.2009 to 1.1.2013
	7,110,000	(620,000)	6,490,000	8.1.2009	0.145	8.1.2010 to 7.1.2019
	<u>15,630,000</u>	<u>(1,460,000)</u>	<u>14,170,000</u>			
	<u>17,580,000</u>	<u>(1,460,000)</u>	<u>16,120,000</u>			

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

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

## SHARE OPTION SCHEME (CONTINUED)

At the end of the reporting period, the Company had 16,120,000 share options outstanding under the Scheme. Upon expiry of the vesting periods, the exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 16,120,000 additional ordinary shares of the Company and additional share capital of HK\$161,200 and share premium of HK\$3,546,180.

During the six months ended 30 September 2009, the Board did not grant any share options under the Scheme to subscribe for shares in the Company and no outstanding share options was exercised during the period under review.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2009.

The Group will continue to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2009.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review.

### AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2009 of the Group. The audit committee comprises the four independent non-executive directors of the Company, namely Messrs. Yuen Chi Choi, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou, and is chaired by Mr. Yuen Chi Choi.

By Order of the Board  
**Tang Ching Ho**  
*Chairman*

Hong Kong, 16 December 2009

## INTERIM RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2009, together with the comparative figures for the corresponding period in 2008. These interim condensed consolidated financial statements were not audited, but have been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>229,199</b>	230,746
Cost of sales		(121,118)	(126,574)
Gross profit		<b>108,081</b>	104,172
Other income	4	<b>8,156</b>	9,021
Selling and distribution costs		(74,321)	(75,217)
Administrative expenses		(38,958)	(38,294)
Finance costs	5	(1,512)	(3,980)
Impairment loss recognised in respect of goodwill		(237)	(199)
Gain on disposal of a subsidiary		—	2,636
Change in fair value of options embedded in an unlisted note		(12,242)	(147,083)
Change in fair value of investments held-for-trading		1,599	(9,078)
Share of results of associates		(15,586)	(16,183)
<b>LOSS BEFORE TAXATION</b>	6	<b>(25,020)</b>	(174,205)
Income tax expense	7	(1,474)	(546)
<b>LOSS FOR THE PERIOD</b>		<b>(26,494)</b>	(174,751)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

For the six months ended 30 September 2009

	Notes	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Exchange differences arising on translation of foreign operations		—	(452)
Share of other comprehensive income of an associate		378	1,942
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>378</b>	<b>1,490</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(26,116)</b>	<b>(173,261)</b>
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		(26,049)	(174,761)
Non-controlling interests		(445)	10
		<b>(26,494)</b>	<b>(174,751)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		(25,671)	(173,152)
Non-controlling interests		(445)	(109)
		<b>(26,116)</b>	<b>(173,261)</b>
<b>LOSS PER SHARE</b>	8		
Basic (Cents)		<b>(1.12)</b>	(9.09)
Diluted (Cents)		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	53,101	58,406
Prepaid lease payments		92,174	93,562
Goodwill		15,335	15,335
Interests in associates	11	132,500	148,058
Amount due from an associate	12	10,000	—
Deferred tax assets		378	378
Investment in an unlisted note	14	174,931	172,682
Derivative financial instruments		23,406	35,648
Other intangible assets		3,331	3,749
		<b>505,156</b>	<b>527,818</b>
<b>CURRENT ASSETS</b>			
Inventories		85,077	80,751
Trade and other receivables	13	75,595	75,393
Investments held-for-trading		14,153	3,889
Amounts due from associates	12	3,878	3,385
Prepaid lease payments		2,774	2,774
Tax recoverable		255	2,014
Bank balances and cash		70,430	57,096
		<b>252,162</b>	<b>225,302</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	72,958	60,214
Loan from a shareholder		15,000	25,000
Tax payable		928	1,360
Obligations under finance leases		3	9
Bank borrowings	16	13,207	16,202
Deferred franchise income		33	98
Advances from minority shareholders of a subsidiary		3,470	3,396
		<b>105,599</b>	<b>106,279</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>		146,563	119,023
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		651,719	646,841
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	16	44,050	47,182
Deferred taxation		110	110
		44,160	47,292
<b>NET ASSETS</b>		607,559	599,549
<b>CAPITAL AND RESERVES</b>			
Share capital	17	24,124	20,104
Reserves		577,067	572,632
<b>Equity attributable to owners of the Company</b>		601,191	592,736
Non-controlling interests		6,368	6,813
		607,559	599,549

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Attributable to owners of the Company										
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 (Note a)	Share option reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000 (Note b)	Translation reserve (Unaudited) HK\$'000	Convertible loan note reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2008 (audited)	16,754	673,714	(27,150)	329	218,508	6,571	13,724	(13,449)	889,001	6,266	895,267
Loss for the year	-	-	-	-	-	-	-	(345,906)	(345,906)	(36)	(345,942)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(992)	-	(992)	(992)	137	(855)
Share of other comprehensive income of an associate	-	-	-	-	-	1,715	-	-	1,715	-	1,715
Total comprehensive income for the year	-	-	-	-	-	723	-	(345,906)	(345,183)	101	(345,082)
Transfer to profit or loss on disposal of a subsidiary	-	-	-	-	-	(439)	-	-	(439)	(18)	(457)
Issue of shares	3,350	51,926	-	-	-	-	-	-	55,276	-	55,276
Share issue expenses	-	(1,681)	-	-	-	-	-	-	(1,681)	-	(1,681)
Recognition of share-based payment	-	-	-	813	-	-	-	-	813	-	813
Lapse of share options	-	-	-	(87)	-	-	-	87	-	-	-
Inproportionate capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	464	464
Early redemption of convertible loan note	-	-	-	-	-	-	(13,724)	8,673	(5,051)	-	(5,051)
At 31 March 2009 (audited)	20,104	723,959	(27,150)	1,055	218,508	6,855	-	(350,595)	592,736	6,813	599,549
Loss for the period	-	-	-	-	-	-	-	(26,049)	(26,049)	(445)	(26,494)
Share of other comprehensive income of an associate	-	-	-	-	-	378	-	-	378	-	378

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

For the six months ended 30 September 2009

	Attributable to owners of the Company										
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 (Note a)	Share option reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000 (Note b)	Translation reserve (Unaudited) HK\$'000	Convertible loan note reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
Total comprehensive income for the period	-	-	-	-	-	378	-	(26,049)	(25,671)	(445)	(26,116)
Issue of shares	4,020	31,356	-	-	-	-	-	-	35,376	-	35,376
Share issue expenses	-	(1,583)	-	-	-	-	-	-	(1,583)	-	(1,583)
Recognition of share-based payment	-	-	-	333	-	-	-	-	333	-	333
At 30 September 2009	24,124	753,732	(27,150)	1,388	218,508	7,233	-	(376,644)	601,191	6,368	607,559

### Notes:

- The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- The general reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of bonus issue of shares by the Company.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Net cash generated from (used in) operating activities</b>	15,749	(8,505)
<b>Net cash used in investing activities</b>	(18,637)	(8,452)
<b>Net cash generated from (used in) financing activities</b>	16,222	(61,411)
<b>Increase (decrease) in cash and cash equivalents</b>	13,334	(78,368)
<b>Cash and cash equivalents at the beginning of the period</b>	57,096	100,019
<b>Effect of foreign exchange rate changes</b>	—	(1,182)
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	70,430	20,469

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009, and in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) (which included all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by HKICPA.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The adoption of new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the followings:-

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

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (a) HKAS 1 (Revised) “Presentation of Financial Statements”

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. HKAS 1 (Revised) also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transaction with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

#### (b) HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting” required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3).

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective, in the unaudited interim condensed consolidated financial statements.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosure <sup>5</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 (Amendment)	Classification of Rights Issue <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 39	Financial Instrument <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

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

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the annual periods beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Sales of goods	228,647	230,088
Management and promotion fees	552	658
	<b>229,199</b>	230,746

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

- (i) production and sale of Chinese pharmaceutical and health food products;
- (ii) production and sale of Western pharmaceutical and health food products; and
- (iii) production and sale of bottled birds' nest drinks and herbal essence products.

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

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

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

The following table presents revenue and result information for the Group's operating segment for the period under review:

For the six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Elimination		Total	
	2009 HK\$'000	2008 HK'000	2009 HK'000	2008 HK\$'000	2009 HK'000	2008 HK'000	2009 HK'000	2008 HK'000	2009 HK'000	2008 HK'000
<b>TURNOVER</b>										
External sales	160,265	154,813	59,689	57,505	9,245	18,428	—	—	229,199	230,746
Inter segment sales*	1,320	1,320	—	—	8,022	11,734	(9,342)	(13,054)	—	—
Total	161,585	156,133	59,689	57,505	17,267	30,162	(9,342)	(13,054)	229,199	230,746
<b>RESULTS</b>										
Results, excluding impairment loss recognised in respect of goodwill	6,011	(1,098)	3,242	4,532	(2,053)	1,276	—	—	7,200	4,710
Impairment loss recognised in respect of goodwill	(237)	(199)	—	—	—	—	—	—	(237)	(199)
Segment results	5,774	(1,297)	3,242	4,532	(2,053)	1,276	—	—	6,963	4,511
Other income									8,156	9,021
Unallocated corporate expenses									(12,398)	(14,049)
Finance costs									(1,512)	(3,980)
Gain on disposal of a subsidiary									—	2,636
Change in fair value of options embedded in an unlisted note									(12,242)	(147,083)
Change in fair value of investments held-for-trading									1,599	(9,078)
Share of results of associates									(15,586)	(16,183)
Loss before taxation									(25,020)	(174,205)
Income tax expense									(1,474)	(546)
Loss for the period									(26,494)	(174,751)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. OTHER INCOME

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Effective interest income on investment in an unlisted note due from an associate	5,107	5,078
Rental income	1,465	1,198
Processing fee income	533	753
Sundry income	457	774
Dividends from investments held-for-trading	224	543
Interest income on loan to an associate	160	—
Recognition of deferred income on disposal of a subsidiary	150	150
Franchise income	45	60
Interest income on bank deposits	15	465
	<b>8,156</b>	<b>9,021</b>

5. FINANCE COSTS

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	899	598
Bank borrowings not wholly repayable within five years	—	629
Effective interest expense on convertible loan note	—	2,628
Obligations under finance leases	1	1
Loan from a shareholder	490	19
Advances from minority shareholders of a subsidiary	114	66
Others	8	39
	<b>1,512</b>	<b>3,980</b>

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

### 6. LOSS BEFORE TAXATION

	<b>For the six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Reversal of allowance for trade and other receivables	(112)	(189)
(Reversal of) allowance for obsolete inventories	(189)	1,111
Amortisation of other intangible assets, included in administrative expenses	467	388
Depreciation of property, plant and equipment	7,934	8,194
Amortisation of prepaid lease payments	1,388	1,231
Management fee paid to a shareholder	48	48

### 7. INCOME TAX EXPENSE

	<b>For the six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	1,360	179
Other jurisdictions	195	367
	<b>1,555</b>	546
Overprovision in prior years		
Other jurisdictions	(81)	—
	<b>1,474</b>	546

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period.

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

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

### 8. LOSS PER SHARE

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

	<b>For the six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	<b>(26,049)</b>	(174,761)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>2,322,286,114</b>	1,922,481,786

The computations of diluted loss per share for the six months ended 30 September 2009 and 2008 do not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company on the Stock Exchange, since the exercise of which would result in a decrease in loss per share for the six months ended 30 September 2009 and 2008.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group acquired property, plant and equipment for an amount of approximately HK\$2,629,000 (six months ended 30 September 2008: approximately HK\$11,077,000).

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

### 10. PLEDGE OF ASSETS

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

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Prepaid lease payments	92,768	94,005
Buildings	8,543	9,366
	<b>101,311</b>	103,371

### 11. INTERESTS IN ASSOCIATES

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Cost of investment in associates		
– Listed in Hong Kong	211,682	211,682
– Unlisted ( <i>Note</i> )	3,000	3,350
Share of post-acquisition reserves, net of dividends received	(82,182)	(66,974)
	<b>132,500</b>	148,058
Market value of listed investments	<b>587,775</b>	269,700

*Note:*

On 31 July 2009, the Group acquired an additional 50% equity interest in Lucky Planning Limited ("**Lucky Planning**") for a cash consideration of HK\$350,000. Lucky Planning then became a non wholly-owned subsidiary of the Group. This acquisition has been accounted for using purchase method. The amount of goodwill arising from the acquisition was HK\$237,000.

12. AMOUNTS DUE FROM ASSOCIATES

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Amounts due from associates – within one year ( <i>Note a</i> )	<b>3,878</b>	3,385
Amount due from an associate – after one year ( <i>Note b</i> )	<b>10,000</b>	—
	<b>13,878</b>	3,385

*Notes:*

- (a) Included in the amounts due from associates as at 30 September 2009 is an amount of approximately HK\$1,597,000 (31 March 2009: approximately HK\$1,405,000) which represents interest receivable on investment in the Bonds due from LeRoi. The amount is unsecured, interest-free and repayable within one year.

The remaining balances of HK\$2,281,000 (31 March 2009: HK\$1,980,000) represent trade receivables which are unsecured, interest-free, and the Group allows a credit period of 90 days.

- (b) The amount due from an associate after one year is unsecured, carries interest at 8% per annum and repayable on 9 July 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Trade receivables	61,690	60,130
Less: Accumulated impairment	(16,680)	(16,792)
	<b>45,010</b>	43,338
Deposits, prepayments and other receivables	33,585	35,055
Less: Accumulated impairment	(3,000)	(3,000)
	<b>30,585</b>	32,055
	<b>75,595</b>	75,393

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 - 30 days	21,624	18,650
31 - 60 days	6,877	14,844
61 - 120 days	11,216	7,415
Over 120 days	5,293	2,429
	<b>45,010</b>	43,338

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

### 14. INVESTMENT IN AN UNLISTED NOTE

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Unlisted convertible note due from an associate ( <i>Note</i> )	<b>174,931</b>	172,682

*Note:*

The Bonds with an aggregate principal amount of HK\$190,000,000 was issued on 5 October 2007 by LeRoi. The Bonds bears interest at a contractual interest rate of 3% per annum and is due for redemption on 5 October 2012. The Group is entitled at any time after the date of issue up to the maturity date to convert the Bonds into ordinary shares of LeRoi at an initial conversion price of HK\$0.12 per share (subject to adjustment).

At the issue date, the Bonds comprised of a liability component and embedded derivatives being the conversion option and the issuer's redemption option. The net fair value at 30 September 2009 of the derivatives embedded in the Bonds amounted to HK\$23,406,000 (31 March 2009: HK\$35,648,000) representing the fair value of the conversion option of HK\$31,334,000 (31 March 2009: HK\$69,484,000) less the fair value of the issuer's redemption option of HK\$7,928,000 (31 March 2009: HK\$33,836,000), is shown as derivative financial instruments under non-current assets.

### 15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$34,511,000 (31 March 2009: approximately HK\$25,762,000) and their aged analysis is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 - 30 days	<b>15,510</b>	12,610
31 - 60 days	<b>15,034</b>	9,704
61 - 120 days	<b>1,417</b>	1,766
Over 120 days	<b>2,550</b>	1,682
Other payables	<b>34,511 38,447</b>	25,762 34,452
	<b>72,958</b>	60,214

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

### 16. BANK BORROWINGS

During the period, the Group obtained new bank loans in an amount of approximately HK\$3,044,000 (31 March 2009: HK\$60,401,000). These loans carry interest at 2.39% to 7.25% (31 March 2009: 2.95% to 7.25%) per annum. The proceeds were used to finance the operation.

### 17. SHARE CAPITAL

	Number of shares	Amount (unaudited) HK\$'000
Authorised:		
At 31 March 2009 and 30 September 2009: ordinary shares of HK\$0.01 each	60,000,000,000	600,000
Issued and fully paid:		
At 31 March 2009 and 1 April 2009: ordinary shares of HK\$0.01 each	2,010,351,688	20,104
Issue of shares ( <i>Note</i> )	402,000,000	4,020
At 30 September 2009: ordinary shares of HK\$0.01 each	2,412,351,688	24,124

*Note:*

On 11 May 2009, the Company, Rich Time and Kingston Securities Limited ("**Kingston**") entered into the placing and subscription agreement, pursuant to which (i) Rich Time agreed to place, through Kingston, on a best effort basis, 165,000,000 shares of the Company to independent placees at a price of HK\$0.088 per share; and (ii) Rich Time conditionally agreed to subscribe for an aggregate of 165,000,000 shares at a price of HK\$0.088 per share. Such transactions were completed on 21 May 2009.

In addition, the Company and Kingston entered into the new issue placing agreement, pursuant to which the Company agreed to allot and issue, through Kingston, on a best effort basis, 237,000,000 shares of the Company to independent placees at a price of HK\$0.088 per share. Such transaction was completed on 26 May 2009.

Details of the placing and subscription agreement and the new issue placing agreement are set out in the Company's announcement dated 11 May 2009.

#### Share options

Details of the Company's share option scheme are set out in the Section "Share Option Scheme" of the interim report 2009.

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

### 18. CAPITAL COMMITMENTS

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
At the end of the reporting period, the Group had contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of: – property, plant and equipment	<b>832</b>	1,433

### 19. OPERATING LEASES

#### The Group as lessee:

The Group made minimum lease payments of approximately HK\$29,422,000 (2008: approximately HK\$29,073,000) under operating leases during the period in respect of its office properties and retail shops.

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	<b>47,656</b>	48,346
In the second to fifth years inclusive	<b>78,000</b>	76,909
Over 5 years	<b>32,900</b>	39,480
	<b>158,556</b>	164,735

Leases are negotiated for a term ranging from one to ten years. Certain leases have contingent rental payable which are based on turnover of relevant retail shops. The contingent rent paid for the period is approximately HK\$3,059,000 (2008: approximately HK\$64,000).

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

**19. OPERATING LEASES (Continued)**

**The Group as lessor:**

Property rental income earned during the period was approximately HK\$1,465,000 (2008: approximately HK\$1,198,000). At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	<b>31 March 2009 (Audited) HK\$'000</b>
Within one year	<b>1,933</b>	480
In the second to fifth years inclusive	<b>3,532</b>	—
	<b>5,465</b>	480

## 20. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to the end of the reporting period:

### (a) Loan to LeRoi and redemption of the Bonds

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

### (b) Partial share exchange

On 18 November 2009, the Company completed the acquisition of 1,463,835,000 shares in the capital of LeRoi from independent third parties and in return issued 3,659,587,500 consideration shares of HK\$0.01 each in the Company pursuant to a partial share exchange offer, which became unconditional in all aspects on 13 November 2009, made by a wholly-owned subsidiary of the Company, details of which were set out in the composite document and announcement jointly issued by the Company and LeRoi on 9 October 2009 and 13 November 2009, respectively. Upon completion of the transactions and up to the date of this report, the Company increased its shareholding interest in LeRoi from the 29.97% at the end of the reporting period to 49.00%.

### (c) Disposal of Hunan Xiangya Pharmaceutical Co Limited (“Hunan Xiangya”)

On 10 December 2009, China Field Enterprises Limited (“**China Field**”), an indirect non wholly-owned subsidiary of the Company, and Hunan Fangsheng Pharmaceutical Co Limited (“**Hunan Fangsheng**”) entered into a conditional sale and purchase agreement, pursuant to which China Field has agreed to dispose of and Hunan Fangsheng has agreed to purchase 64.2% equity interest of Hunan Xiangya for a cash consideration of approximately HK\$37.4 million, details of which were set out in the Company’s announcement dated 15 December 2009. Hunan Xiangya is engaged in the production and sale of Western pharmaceutical products in the PRC. After completion of the transaction, the Group will not have any equity interest in Hunan Xiangya and the results of which will cease to be accounted for as a subsidiary of the Company.

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

### 21. RELATED PARTY DISCLOSURES

During the period, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The significant transactions with these companies during the period, and balances with them at the end of the reporting period, are as follows:

Name of related party	Transactions	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
(i) Substantial shareholder which is in a position to exercise significant influence over the Group	Loan balance	15,000	—
	Loan interest paid by the Group	490	19
	Management fee paid by the Group	48	48
	Rental paid by the Group	1,140	1,140
	Rental received by the Group	825	960
	Rental paid by the associate of the Group	360	360
	(ii) Associates	Sales of Chinese pharmaceutical products by the Group	8,357
Management and promotion fee received by the Group		552	658
Effective interest income on unlisted note received by the Group		5,107	5,078
Rental received by the Group		388	238
Facilities balance granted by the Group		11,000	11,000
Interest income received by the Group		160	—

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

### 21. RELATED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<b>For the six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Short-term benefits	<b>1,615</b>	2,103
Post-employment benefits	<b>30</b>	30
Share-based payment	<b>35</b>	29
	<b>1,680</b>	2,162

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

Details of the balances with related parties as at the end of the reporting period are set out in the condensed consolidated statement of financial position and note12.

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

The unaudited interim condensed consolidated financial statements were approved by the Board on 16 December 2009.