WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

INTERIM RESULTS

The board of directors (the "**Board**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2014

	Notes	**Six months ended 30 September**	
		2014	2013
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**381,045**	410,964
Cost of sales		**(220,393)**	(220,816)
Gross profit		**160,652**	190,148
Other income	*4*	**33,667**	27,549
Selling and distribution expenses		**(130,396)**	(125,734)
Administrative expenses		**(60,784)**	(49,387)
Finance costs	*6*	**(4,682)**	(3,555)
Change in fair value of investments held-for-trading, net		**29,670**	6,461
Fair value gains on investment properties, net		**2,568**	13,663
Loss on deemed partial disposal of equity interests in an associate		**(32,928)**	–
Share of results of associates		**13,951**	4,951

* *For identification purpose only*

	Notes	Six months ended 30 September **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**11,718**	64,096
Income tax expense	*7*	**(287)**	(4,151)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**11,431**	59,945
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	*8*	**–**	(901)
PROFIT FOR THE PERIOD		**11,431**	59,044
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**–**	571
Release of translation reserve upon deemed partial disposal of equity interests in an associate		**(3,926)**	–
Share of other comprehensive income/(loss) of an associate		**(5,178)**	7,041
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**(9,104)**	7,612
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,327**	66,656
Profit attributable to:			
Owners of the parent		**11,490**	59,080
Non-controlling interests		**(59)**	(36)
		11,431	59,044
Total comprehensive income attributable to:			
Owners of the parent		**2,386**	66,702
Non-controlling interests		**(59)**	(46)
		2,327	66,656
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted			
— For profit for the period		**HK0.38 cents**	HK2.02 cents
— For profit from continuing operations		**HK0.38 cents**	HK2.05 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2014

	Notes	**30 September 2014 (Unaudited) *HK$'000***	31 March 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**320,716**	247,333
Investment properties		**485,700**	467,000
Goodwill		**15,335**	15,335
Investments in associates		**270,899**	301,644
Other intangible assets		**347**	435
Loans and interest receivables		**450,000**	450,000
Deferred tax assets		**5,249**	5,249
Total non-current assets		**1,548,246**	1,486,996
CURRENT ASSETS			
Inventories		**160,909**	147,254
Trade and other receivables	*11*	**162,331**	199,126
Amounts due from associates		**6,834**	6,146
Investments held-for-trading		**133,198**	103,528
Loans and interest receivables		**105,301**	105,446
Tax recoverable		**141**	7,941
Bank balances and cash		**400,909**	292,511
Total current assets		**969,623**	861,952
CURRENT LIABILITIES			
Trade and other payables	*12*	**106,987**	111,321
Bank borrowings		**283,146**	201,803
Deferred franchise income		**33**	18
Tax payable		**2,638**	2,864
Total current liabilities		**392,804**	316,006
NET CURRENT ASSETS		**576,819**	545,946
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,125,065**	2,032,942

	30 September 2014 (Unaudited) *HK$'000*	31 March 2014 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**182,576**	189,412
Deferred tax liabilities	**2,384**	2,629
Total non-current liabilities	**184,960**	192,041
NET ASSETS	**1,940,105**	1,840,901
EQUITY		
Share capital	**35,171**	29,311
Reserves	**1,897,639**	1,804,236
Equity attributable to owners of the parent	**1,932,810**	1,833,547
Non-controlling interests	**7,295**	7,354
TOTAL EQUITY	**1,940,105**	1,840,901

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2014

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014.

The accounting policies and the basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and investments held-for-trading, which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 27 (2011) *Separate Financial Statements — Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their operations and the goods and services they provide and has four reportable operating segments as follows:

(a) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the People's Republic of China (the "**PRC**") and Hong Kong;

(b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand name of "Madame Pearl's" and "Pearl's", respectively;

(c) production and sale of bottled birds' nest drinks and herbal essence products — processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products ("**Birds' Nest Sub-group**") (discontinued during the year ended 31 March 2014 (note 8)); and

(d) property investment — investment in commercial premises for rental income.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that other income, unallocated expenses, finance costs, net changes in fair values of investments held-for-trading and investment properties, loss on deemed partial disposal of equity interests in an associate and share of results of associates are excluded from such measurement.

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

Six months ended 30 September

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

	Continuing operations								Discontinued operation					
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**313,256**	326,452	**61,696**	78,897	**6,093**	5,615	**381,045**	410,964	**–**	7,650	**–**	–	**381,045**	418,614
Intersegment sales	**–**	–	**–**	–	**3,646**	3,172	**3,646**	3,172	**–**	11,576	**(3,646)**	(14,748)	**–**	–
Total	**313,256**	326,452	**61,696**	78,897	**9,739**	8,787	**384,691**	414,136	**–**	19,226	**(3,646)**	(14,748)	**381,045**	418,614
Segment results	**(675)**	25,558	**(14,572)**	(1,311)	**3,083**	2,763	**(12,164)**	27,010	**–**	(1,990)			**(12,164)**	25,020
Other income							**33,667**	27,549	**–**	1,039			**33,667**	28,588
Unallocated expenses							**(18,364)**	(11,983)	**–**	–			**(18,364)**	(11,983)
Finance costs							**(4,682)**	(3,555)	**–**	–			**(4,682)**	(3,555)
Change in fair value of investments held-for-trading, net							**29,670**	6,461	**–**	–			**29,670**	6,461
Fair value gains on investment properties, net							**2,568**	13,663	**–**	–			**2,568**	13,663
Loss on deemed partial disposal of equity interests in an associate							**(32,928)**	–	**–**	–			**(32,928)**	–
Share of results of associates							**13,951**	4,951	**–**	–			**13,951**	4,951
Profit/(loss) before tax							**11,718**	64,096	**–**	(951)			**11,718**	63,145
Income tax credit/(expense)							**(287)**	(4,151)	**–**	50			**(287)**	(4,101)
Profit/(loss) for the period							**11,431**	59,945	**–**	(901)			**11,431**	59,044

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; and management and promotion fees received.

An analysis of the Group's revenue and other income from continuing operations is as follows:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**374,520**	404,958
Rental income from investment properties	**6,093**	5,615
Management and promotion fees	**432**	391
	381,045	410,964
Other income		
Effective interest income on loans receivables	**27,772**	23,010
Interest income on bank deposits	**2,162**	1,317
Dividends from investments held-for-trading	**1,609**	1,548
Sub-lease rental income	**1,267**	1,437
Exchange gains, net	**435**	–
Others	**422**	237
	33,667	27,549

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including allowance for obsolete inventories of approximately HK$1,944,000 (2013: approximately HK$633,000))	**220,393**	220,816
Depreciation	**7,744**	8,784
Amortisation of other intangible assets	**109**	104
Exchange losses/(gains), net	**(435)**	128
Recognition/(reversal) of impairment losses of trade and other receivables	**5,329**	(59)
Gross rental income	**(6,093)**	(5,615)
Less: direct outgoing expenses	**139**	114
	(5,954)	(5,501)

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**2,338**	970
Bank borrowings wholly repayable beyond five years	**2,344**	2,585
	4,682	3,555

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rates of 16.5% (six months ended 30 September 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**EIT**") rate of two of the Group's subsidiaries established in the PRC is 25% (six months ended 30 September 2013: 25%).

The Group's income tax expense from continuing operations is as follows:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**350**	4,143
Underprovision in prior periods	**322**	8
Current — other jurisdiction		
Overprovision in prior periods	**(140)**	–
Deferred taxation	**(245)**	–
Total tax charge for the period	**287**	4,151

8. DISCONTINUED OPERATION

During the year ended 31 March 2014, the Group significantly scaled down the operation of its Birds' Nest Sub-group due to the continuous decline in demand for its products. The Group wound up the subsidiaries in the Birds' Nest Sub-group. As such, the business of the Birds' Nest Sub-group was classified as a discontinued operation in the Group's condensed consolidated financial statements.

The results of the discontinued operation for the period ended 30 September 2013 is presented below:

	Six months ended 30 September 2013 (Unaudited) *HK$'000*
Revenue	7,650
Cost of sales	(7,394)
Gross profit	256
Other income	1,039
Selling and distribution expenses	(763)
Administrative expenses	(1,483)
Loss before tax from the discontinued operation	(951)
Income tax credit	50
Loss for the period from the discontinued operation	(901)
Attributable to:	
Owners of the parent	(854)
Non-controlling interests	(47)
	(901)

The net cash flows incurred by the discontinued operation for the period ended 30 September 2013 is presented below:

	Six months ended 30 September 2013 (Unaudited) *HK$'000*
Operating activities	1,428
Investing activities	(3)
Net cash inflow	1,425

	2013
Basic and diluted loss per share from the discontinued operation	HK0.03 cents

The calculation of basic and diluted loss per share (note 10) from the discontinued operation is based on:

	2013
Loss attributable to ordinary equity holders of the parent from the discontinued operation	HK$854,000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	2,931,142,969

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,040,017,286 (30 September 2013: 2,931,142,969) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2014 and 2013 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in basic and diluted earnings per share calculations		
From continuing operations	**11,490**	59,934
From a discontinued operation *(note 8)*	**–**	(854)
	11,490	59,080

	Number of shares	
	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**3,040,017,286**	2,931,142,969

11. TRADE AND OTHER RECEIVABLES

	30 September 2014 (Unaudited)	31 March 2014 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**100,580**	139,509
Less: accumulated impairment	**(9,119)**	(3,790)
	91,461	135,719
Rental and other deposits	**25,416**	25,703
Prepayments	**27,612**	22,056
Other receivables	**17,842**	15,648
	70,870	63,407
Total trade and other receivables	**162,331**	199,126

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 60 to 120 days. Each customer has a maximum credit limit and credit limit are reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables which are past due but not impaired based on the due date:

	30 September 2014 (Unaudited)	31 March 2014 (Audited)
	HK$'000	*HK$'000*
0 – 30 days	**5,556**	6,892
31 – 60 days	**3,640**	7,631
61 – 120 days	**8,359**	15,698
121 – 180 days	**1,948**	425
Over 180 days	**–**	33
	19,503	30,679

During the year ended 31 March 2014, the Group had provided fully for all receivables that was past due over 180 days because historical experience shows that receivables that are past due beyond 180 days are generally not recoverable, except for a receivable that was past due over 180 days but not impaired and was related to the sales to a PRC customer that had made continuous settlements subsequently. The directors were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. TRADE AND OTHER PAYABLES

	30 September 2014 (Unaudited) ***HK$'000***	31 March 2014 (Audited) *HK$'000*
Trade payables	**58,200**	64,937
Accrual of salaries and commission	**20,478**	14,789
Accrual of advertising and promotion	**3,094**	2,651
Rental deposits received	**2,840**	2,627
Other payables and accruals	**22,375**	26,317
	106,987	111,321

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

	30 September 2014 (Unaudited) ***HK$'000***	31 March 2014 (Audited) *HK$'000*
0 – 30 days	**30,673**	26,782
31 – 60 days	**23,333**	20,710
61 – 120 days	**3,359**	16,379
Over 120 days	**835**	1,066
	58,200	64,937

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30 September 2014, the Group's results and performance were unsatisfactory and behind expectation. The Group recorded a drop in turnover of approximately 7.3% over the same period last year, achieved a turnover of approximately HK$381.0 million (2013: approximately HK$411.0 million). Besides, the Group recorded a decrease in profit for the six months ended 30 September 2014 as compared to the corresponding period in 2013, achieved a profit attributable to owners of the parent of approximately HK$11.5 million (2013: approximately HK$59.1 million). Such decline was mainly attributable to, among other things, the decrease in gross profit resulting from the decrease in the Group's turnover and the loss on deemed partial disposal of equity interests in an associate, despite the gain from change in fair value of investments held-for-trading.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the period under review decreased by approximately 4.0% from approximately HK$326.5 million for the same period last year to approximately HK$313.3 million. The recent relatively slower overall economy continued to place heavy pressure on the general retail business environment, there was a slowdown in the growth rate of our retail business. Indeed we still recorded a better same store sale growth at single digit. However, sales performance in other channels, such as chain stores, key accounts, open trade and overseas, in which after some years' surged in growth rate, all suffered a drop in sales against last year. Such negative impact more than offset the increase in sales generated from the retail business.

We believe that the increasing public awareness and concern on personal health and the increasing trend of people consuming health supplements is a great potential for onwards growth and development of the business. But at the same time, there was an increase in the number of aggressive market players which have caused the competition among the industry becoming more intensive. Throughout the period, we have continued expanding our product range to attract and broaden our customer base. Series of marketing campaigns have been launched to promote brand awareness and product image. We have also kept on maintaining strict production and process control so as to reinforce customers' confidence in our quality products. However, all these actions gone through seemed to be not as effective as previously did. Sales momentum from Mainland Chinese tourists visiting Hong Kong to buy our products also slowed down a bit.

On the other hand, the establishment of integrated Chinese medical centres to provide Chinese medicine consultation services has proven successful and the Group has explored ways to further expand our Chinese medicine consultation services. We believe that this strategic move will help to strengthen our position in the Chinese pharmaceutical and health food products industry.

(2) Western Pharmaceutical and Health Food Products

Turnover for the period under review decreased by approximately 21.8% from approximately HK$78.9 million for the same period last year to approximately HK$61.7 million. The series of cough syrup products under our primary brand "Madame Pearl's" continues to be our main focus. However, the strict control and monitor on the sales of cough syrup products containing codeine in Mainland China market as imposed by the Mainland China government authority caused the major decline in sales during the period under review.

On the other hand, the sales performance of the personal care products under our secondary brand "Pearl's" continued to be positive and has shown a stable sales momentum. Our hero product "Pearl's Mosquitout" keeps on dominating the market of anti-mosquito products which have contributed a significant portion of sales for this segment during the period under review. By means of continuous product development, added promotion effort, increased product penetration and appearance in different sale channels, "Pearl's" has gained customer confidence, becoming more well-known to the public and more well-received by the market.

Another new product line, sugar-free mint candy, also brought in constant revenue to the Group since its launch in the market, attracting and broadening our customer base, especially among the younger generation.

(3) Property Investment

On 8 May 2014, the Group entered into a provisional sale and purchase agreement with an independent third party individual for the acquisition of a property located in To Kwa Wan Road, Kowloon, Hong Kong, at a cash consideration of HK$40.3 million. The acquisition was completed on 6 August 2014. The property is currently divided into two units. One of the units is used by our retail shop while the other unit is leased out to an independent third party for commercial purpose.

Together with the above mentioned, the Group has thirteen properties on hand in which all of them are retail shops. Currently, six properties are leased out for commercial purpose while seven properties are used by our retail shops. Management believes in the long-term prospects of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

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

PNG is a company listed on the main board of The Stock Exchange of Hong Kong Limited, which is principally engaged in the businesses of property development in the PRC and retailing of fresh pork and related produce in Hong Kong.

On 12 September 2014, a vendor, PNG and a placing agent entered into a top-up placing and subscription agreement pursuant to which (i) the vendor has agreed to place, through the placing agent, a maximum of 150 million PNG top-up placing shares to not less than six independent investors at a top-up placing price of HK$0.325 per PNG top-up placing share; and (ii) the vendor has agreed to subscribe for a maximum of 150 million PNG top-up subscription shares at a top-up subscription price of HK$0.325 per PNG top-up subscription share. Also on 12 September 2014, PNG entered into a new issue placing agreement with a placing agent. Pursuant to the new issue placing agreement, PNG has agreed to allot and issue, and the placing agent has agreed to place 34 million new issue placing shares to not less than six independent investors at a new issue placing price of HK$0.325 per new issue placing share. The top-up placing, the top-up subscription and the new issue placing were completed on 22 September 2014, 26 September 2014 and 29 September 2014, respectively. Accordingly, the Group's shareholding interest in PNG has been diluted from 28.86% to 24.06% and resulted to a deemed disposal loss of approximately HK$32.9 million. Details of the transactions were set out in PNG's announcements dated 12 September 2014 and 29 September 2014.

The Group's share of the profit of PNG amounted to approximately HK$14.1 million for the period under review (2013: approximately HK$5.1 million). The improvement in result was mainly due to the increase in profit realised from PNG's sales of property in the PRC and the increase in fair value of the financial assets at fair value through profit or loss, despite the negative impact of the losses on the deemed disposal of an associate of PNG during the period under review.

No impairment loss on the Group's investment in PNG was recognised by the Group during the period under review (2013: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in PNG.

(5) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded net gain on change in fair value of investments held-for-trading of approximately HK$29.7 million for the period under review (2013: approximately HK$6.5 million).

(6) Loan facilities granted to PNG

As at 30 September 2014, PNG was indebted to the Group in an aggregate loan amount of HK$200.0 million. Subsequently in October 2014, PNG fully repaid all of the outstanding loan principals together with accrued interest to the Group prior to their respective maturity dates.

(7) Loan facilities granted to China Agri-Products Exchange Limited ("CAP")

On 30 September 2014, the Group entered into supplemental agreements with CAP, pursuant to which the Group agreed to extend the respective repayment date of the outstanding maturing loans owed by CAP to the Group in an aggregate principal amount of HK$75 million from 30 September 2014 to 30 November 2014 in consideration for the proposed bonds issue by CAP and the intended use of the net proceeds from the bonds issue to repay the outstanding maturing loans. Except for the extension of repayment date, all other terms and conditions of the outstanding maturing loans remain unchanged.

As at 30 September 2014, CAP was indebted to the Group in an aggregate loan amount of HK$325.0 million.

The Group considers that the loans granted to CAP provides a higher and stable return of interest income to the Group in the short to medium term.

(8) Subscription of CAP's Bonds

The Group participated in subscribing up to a maximum principal amount of HK$720.0 million CAP's bonds, in consideration of receiving a subscription fee of 2.5% of the aggregate principal amount of the CAP's bonds actually subscribed and repayment of the outstanding loans currently indebted to the Group by CAP, pursuant to the subscription agreement executed on 4 October 2014. Details of the transactions were set out in the Company's announcement and circular dated 4 October 2014 and 24 October 2014, respectively.

(9) New factory construction project in Yuen Long Industrial Estate

The construction project of a five-storey factory building to house the Group's pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing is underway in accordance with the timetable. Foundation work has been completed in mid-2014 and superstructure works are now in progress. Thereafter, fitting out works, equipment ordering, etc. will follow. We expected that the whole factory construction will be completed in 2016, while operation is targeted to begin in early 2017.

FINANCIAL REVIEW

Fund Raising

On 20 August 2014, the Company, an indirect wholly-owned subsidiary of Wang On Group Limited (the "**Vendor**") and a placing agent entered into a top-up placing and subscription agreement pursuant to which (i) the Vendor has agreed to place, through the placing agent, 586 million top-up placing shares to not less than six independent investors at a top-up placing price of HK$0.186 per top-up placing share; and (ii) the Vendor has agreed to subscribe for 586 million top-up subscription shares at a top-up subscription price of HK$0.186 per top-up subscription share.

The top-up placing and the top-up subscription were completed on 25 August 2014 and 28 August 2014, respectively, and an aggregate of 586 million top-up placing shares have been successfully placed. The aggregate net proceeds from the top-up subscription amounted to approximately HK$105.7 million. The Group intended to utilise as to approximately HK$90.0 million of the net proceeds for the construction of the new factory at Yuen Long Industrial Estate for its pharmaceutical manufacturing and the remaining balance of approximately HK$15.7 million as general working capital of the Group.

As at 30 September 2014, approximately HK$16.8 million has been utilised for the payment of the superstructure works and consultancy fees for the construction of the new factory at Yuen Long Industrial Estate and approximately HK$15.7 million has been utilised for the settlement of creditors. The balance of approximately HK$73.2 million are being deposited in the Group's bank accounts and to be utilised as intended.

Liquidity and Gearing

As at 30 September 2014, the Group's total borrowings amounted to approximately HK$465.7 million (31 March 2014: approximately HK$391.2 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 24.1% (31 March 2014: approximately 21.3%).

Foreign Exchange

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

Capital Commitment

As at 30 September 2014, the Group had capital commitment of approximately HK$353.7 million (31 March 2014: approximately HK$26.0 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 September 2014, the Group had no material contingent liabilities (31 March 2014: Nil).

EMPLOYEES

As at 30 September 2014, the Group had 750 (31 March 2014: 742) employees, of whom approximately 69% (31 March 2014: approximately 71%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group.

PROSPECTS

The recent global financial instability and economic slow down has generally affected the business environment in Hong Kong and the PRC. Together with the dispute on political reform just broken out in Hong Kong and the "Occupy Central" event, general public's daily living and working have been disturbed. This further creates a negative atmosphere that hindering people's intention to spend and the number of tourists visiting Hong Kong might also decrease. Under this circumstance, our retail business would be the most vulnerable. In order to minimise the general adverse effect on our business of the worsening global environment as well as the ever changing local government policy, control and measure, the Group will continue to make efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Realising that people are attaching greater importance to personal health and well-being, the Group will produce more educational information relating to these topics and will publish in various media which can show to the public our dedication within the industry. In order to restore the sales momentum in other sale channels, such as chain stores, key accounts, open trade, overseas, etc., the Group will further increase its focus and concentration by adding more resources, including manpower, incentives, advertising and promotion budget to develop these alternative sale channels, with the aim of balancing the risks and reliance on retail business and shifting towards a more healthy sale channel mix. Besides, the Group will also make use of the cyber world, such as online shopping, cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which have already been recognised as an effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth if it can bring synergy to our existing business, as well as diversification of our investment portfolio for strengthening and broadening our income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group as they form a significant portion of the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, reviewing various operating cycles and processes so as to improve our production efficiency and restructuring some of our retail shops, whether location or shop size, to achieve greater sales revenue deriving from lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system in the pharmaceutical industry is the next milestone of the Group. The Group is now paying its upmost effort and full attention in the construction of the new and modernised five-storey factory building located at Yuen Long Industrial Estate to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. To prepare for the commencement of production of this new factory in 2017 and to ensure its capacity could be utilised efficiently, the Group has enhanced the effort on new products development and registration, especially focus on those Chinese and western medicinal products, which we believe that their uniqueness and curative effect are the key attraction to consumers and considering to be the future continuous income source to the Group. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.

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 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2014.

The Group is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls and other corporate governance issues. The Audit Committee has reviewed with management and the Company's external auditors the unaudited condensed consolidated financial statements for the six months ended 30 September 2014 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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, the Company confirmed that all directors had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review and no incident of non-compliance by the directors was noted by the Company during the period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of the Company (*http://www.wyth.net*) and HKExnews (*www.hkexnews.hk*). The 2014 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

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

Hong Kong, 19 November 2014

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

* *For identification purpose only*