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

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 condensed consolidated interim results of the Group for the six months ended 30 September 2016, together with the comparative figures for the corresponding period in 2015. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2016

		Six months ended 30 September	
	Notes	**2016**	2015
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*4*	**350,939**	376,845
Cost of sales		**(194,621)**	(213,830)
Gross profit		**156,318**	163,015
Other income and gains	*4*	**112,206**	47,935
Selling and distribution expenses		**(130,519)**	(143,232)
Administrative expenses		**(80,576)**	(64,088)
Finance costs	*6*	**(7,712)**	(6,765)
Change in fair value of equity investments at fair value through profit or loss, net		**(41,066)**	8,859
Fair value losses on investment properties, net		**(29,000)**	–
Gain on disposal of a subsidiary		**–**	2,484
Loss on deemed partial disposal of equity interests in an associate		**–**	(37,101)
Share of profits and losses of associates		**(18,427)**	97,025
PROFIT/(LOSS) BEFORE TAX	*5*	**(38,776)**	68,132
Income tax expense	*7*	**–**	(590)
PROFIT/(LOSS) FOR THE PERIOD		**(38,776)**	67,542

* *For identification purpose only*

	Note	Six months ended 30 September 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		**46,844**	46,208
Share of other comprehensive income/(loss) of an associate		**(11,739)**	2,132
Translation reserve:			
Translation of foreign operations		**(2,040)**	(1,798)
Release upon deemed partial disposal of an associate		**–**	(2,537)
Release upon voluntary winding-up of subsidiaries		**(3,030)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**30,035**	44,005
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(8,741)**	111,547
Profit/(loss) attributable to:			
Owners of the parent		**(38,268)**	67,650
Non-controlling interests		**(508)**	(108)
		(38,776)	67,542
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(8,233)**	111,655
Non-controlling interests		**(508)**	(108)
		(8,741)	111,547
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		(Restated)
Basic and diluted		**HK(7.61) cents**	HK13.56 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	Notes	**30 September 2016 (Unaudited) *HK$'000***	31 March 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**662,788**	637,277
Investment properties		**481,800**	510,800
Goodwill		**15,335**	15,335
Other intangible assets		**235**	290
Investments in associates		**398,304**	428,470
Available-for-sale investment		**920,000**	671,521
Deposit paid for the acquisition of property, plant and equipment		**121,533**	134,336
Deferred tax assets		**10,837**	10,837
Total non-current assets		**2,610,832**	2,408,866
CURRENT ASSETS			
Inventories		**168,392**	154,760
Trade and other receivables	*10*	**233,392**	234,621
Due from associates		**9,795**	12,308
Equity investments at fair value through profit or loss		**156,782**	197,075
Tax recoverable		**2,053**	2,447
Bank balances and cash		**462,621**	205,608
		1,033,035	806,819
Non-current asset classified as held for sale		**–**	21,767
Total current assets		**1,033,035**	828,586
CURRENT LIABILITIES			
Trade and other payables	*11*	**141,271**	161,688
Bank borrowings		**57,500**	158,928
Deferred franchise income		**48**	18
Tax payable		**–**	186
Total current liabilities		**198,819**	320,820
NET CURRENT ASSETS		**834,216**	507,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,445,048**	2,916,632

	Note	**30 September 2016 (Unaudited)**	31 March 2016 (Audited)
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Bank borrowings		**716,250**	579,758
Deferred tax liabilities		**7,318**	7,318
Total non-current liabilities		**723,568**	587,076
NET ASSETS		**2,721,480**	2,329,556
EQUITY			
Issued capital	*12*	**12,651**	3,163
Reserves		**2,702,271**	2,319,327
Equity attributable to owners of the parent		**2,714,922**	2,322,490
Non-controlling interests		**6,558**	7,066
TOTAL EQUITY		**2,721,480**	2,329,556

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 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 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting 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, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale investment and equity investments at fair value through profit or loss, which have been measured at fair value. These 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:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

The adoption of these 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 in the unaudited interim condensed consolidated financial statements.

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

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 three 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; and

(c) 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/(loss) before tax except that other income and gains, unallocated expenses, finance costs, gain on disposal of a subsidiary, net change in fair value of equity investments at fair value through profit or loss, loss on deemed partial disposal of equity interests in an associate and share of profits and losses 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 segments:

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(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*
Segment revenue:										
Sales to external customers	**278,621**	301,582	**67,891**	69,157	**4,427**	6,106	**–**	–	**350,939**	376,845
Intersegment sales	**–**	–	**–**	–	**2,965**	3,949	**(2,965)**	(3,949)	**–**	–
Total	**278,621**	301,582	**67,891**	69,157	**7,392**	10,055	**(2,965)**	(3,949)	**350,939**	376,845
Segment results	**(5,594)**	(12,970)	**(12,486)**	(6,839)	**(27,979)**	2,800			**(46,059)**	(17,009)
Other income and gains									**112,206**	47,935
Unallocated expenses									**(37,718)**	(27,296)
Finance costs									**(7,712)**	(6,765)
Gain on disposal of a subsidiary									**–**	2,484
Change in fair value of equity investments at fair value through profit or loss, net									**(41,066)**	8,859
Loss on deemed partial disposal of equity interests in an associate									**–**	(37,101)
Share of profits and losses of associates									**(18,427)**	97,025
Profit/(loss) before tax									**(38,776)**	68,132
Income tax expense									**–**	(590)
Profit/(loss) for the period									**(38,776)**	67,542

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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, other income and gains is as follows:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**346,034**	370,276
Rental income from investment properties	**4,427**	6,106
Management and promotion fees	**478**	463
	350,939	376,845
Other income and gains		
Interest income on an available-for-sale investment	**36,134**	36,079
Imputed interest income on an available-for-sale investment	**1,635**	1,465
Interest income on bank deposits	**206**	2,135
Dividends from equity investments at fair value through profit or loss	**2,874**	1,583
Sub-lease rental income	**1,361**	1,308
Gain on disposal of property, plant and equipment	**65,746**	–
Gain on voluntary winding-up of subsidiaries	**3,030**	–
Others	**1,220**	5,365
	112,206	47,935

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including provision of allowance for obsolete inventories of approximately HK$1,698,000 (2015: approximately HK$986,000))	**194,621**	213,830
Depreciation	**6,979**	7,401
Amortisation of other intangible assets	**86**	86
Exchange losses, net	**534**	3,075
Impairment of trade receivables*	**1,490**	41
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	**48,751**	59,599
Contingent rents	**6,380**	7,048
	55,131	66,647
Gross rental income	**(4,427)**	(6,106)
Less: direct outgoing expenses	**226**	139
	(4,201)	(5,967)

* Impairment of trade receivables is included in "Administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**7,712**	6,765

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period. Hong Kong profits tax had been provided at the rates of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 September 2015. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of two of the Group's subsidiaries established in the PRC is 25% (six months ended 30 September 2015: 25%).

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	–	590
Total tax charge for the period	–	590

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six month ended 30 September 2015: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 503,116,548 (30 September 2015: 498,929,591 (restated)) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for both periods has been adjusted retrospectively to reflect the impact of the Rights Issue (as defined in note 12 to this announcement) completed on 29 September 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2016 and 2015 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in basic and diluted earnings/(loss) per share calculations	**(38,268)**	67,650

	Number of shares Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited) (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	**503,116,548**	498,929,591

10. TRADE AND OTHER RECEIVABLES

	30 September 2016	31 March 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**137,268**	128,956
Less: accumulated impairment	**(2,857)**	(1,367)
	134,411	127,589
Rental and other deposits	**36,869**	32,518
Prepayments	**23,340**	31,817
Other receivables	**38,772**	42,697
Deposit paid for the acquisition of property, plant and equipment	**121,533**	134,336
	220,514	241,368
Total trade and other receivables	**354,925**	368,957
Less: Deposit classified as a non-current asset	**(121,533)**	(134,336)
Current portion	**233,392**	234,621

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 the credit limit is 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. Trade receivables are non-interest-bearing.

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

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2016 (Unaudited) *HK$'000*	31 March 2016 (Audited) *HK$'000*
0 – 30 days	**46,688**	47,262
31 – 60 days	**17,401**	25,061
61 – 120 days	**23,959**	31,219
121 – 180 days	**13,988**	4,286
Over 180 days	**32,375**	19,761
	134,411	127,589

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 receivables that were past due over 180 days but not impaired and were related to the sales to PRC customers that had made continuous settlements subsequent to the reporting date. The directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE AND OTHER PAYABLES

	30 September 2016 (Unaudited) *HK$'000*	31 March 2016 (Audited) *HK$'000*
Trade payables	**63,131**	78,008
Accrual of salaries and commission	**32,215**	19,533
Accrual of advertising and promotion	**12,211**	11,381
Rental deposits received	**3,902**	2,971
Other payables and accruals	**29,812**	49,795
	141,271	161,688

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

	30 September 2016 (Unaudited) *HK$'000*	31 March 2016 (Audited) *HK$'000*
0 – 30 days	**22,985**	57,237
31 – 60 days	**16,498**	15,475
61 – 120 days	**20,035**	3,994
Over 120 days	**3,613**	1,302
	63,131	78,008

The trade and other payables are non-interest-bearing. 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.

12. SHARE CAPITAL

Shares

	30 September 2016 (Unaudited) *HK$'000*	31 March 2016 (Audited) *HK$'000*
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
1,265,142,888 (31 March 2016: 316,285,722) ordinary shares of HK$0.01 each	**12,651**	3,163

A summary of the transactions during the period in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
At 1 April 2016	316,285,722	3,163	1,725,243	1,728,406
Rights Issue *(Note)*	948,857,166	9,488	398,521	408,009
Rights Issue expenses	–	–	(7,344)	(7,344)
At 30 September 2016	1,265,142,888	12,651	2,116,420	2,129,071

Note:

On 29 September 2016, the Company completed a rights issue of three rights shares for every one existing share of the Company held by qualifying shareholders at an issue price of HK$0.43 per rights share (the "**Rights Issue**") and a total of 948,857,166 rights shares were issued at a total cash consideration, before expenses, of approximately HK$408,009,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 316,285,722 shares of HK$0.01 each to 1,265,142,888 shares of HK$0.01 each. Details of the Rights Issue were disclosed in the Company's announcements dated 8 July 2016 and 28 September 2016 and prospectus dated 6 September 2016.

Share options

Details of the Company's share option scheme will be set out in the section headed "Share Option Scheme" of the 2016 interim report.

13. EVENT AFTER THE REPORTING PERIOD

On 5 October 2016, Able Trend Limited ("**Able Trend**"), an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Easy One Financial Group Limited ("**Easy One**"), an associate of the Group, pursuant to which Able Trend agreed to grant a loan facility to Easy One of not exceeding a sum of HK$100,000,000 for a term of 24 months at an interest rate of 6.5% per annum, which was determined with reference to the prevailing market situation. Up to the date of this announcement, HK$40,000,000 has been drawn down by Easy One. Further details of this transaction were set out in the Company's announcement dated 5 October 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2016 (the "**current period**"), the Group's turnover dropped by approximately 6.9% to approximately HK$350.9 million (2015: approximately HK$376.8 million). During the current period, the Group recorded a loss attributable to owners of the parent amounting to approximately HK$38.3 million (2015: a profit attributable to owners of the parent which amounted to approximately HK$67.7 million). Such a decline in results was mainly attributable to, among other things, the net loss in fair value of equity investments at fair value through profit or loss, the share of losses in associates and the fair value losses on investment properties, which were offset by the absence of a loss on deemed partial disposal of equity interests in an associate recorded in the same period last year and the recognition of a gain on disposal of a property in the current period.

(1) Chinese Pharmaceutical and Health Food Products

Turnover of this division for the current period decreased by approximately 7.6% from that of the same period last year to approximately HK$278.6 million. The operating environment in the current period remained challenging and continued to adversely affect the consumer sentiment. Our retail business recognised a drop in sales revenue whereas other sales channels including key accounts, open trade and overseas achieved a mild rise as a result of widening distribution network. There is a slight increase in the overall gross profit margin as a result of better sales mix and strict cost control.

As always, the Group remains committed to employ comprehensive quality assurance procedures and carry out strict quality controls throughout every stages of our production processes. In order to cater for the market needs and trend in a timely manner, the Group continues to devote resources in the research efforts for production innovation and expansion of our product range for consumers. Our Wai Yuen Tong brand's unique combination of quality, price and convenience has won widespread recognition and trust among customers, which helps to further reinforce our leading position in the industry. Moreover, the mass public's growing desire to realise their good lifelong health and the increasing trend of people consuming health supplements for their wellness will undoubtedly add momentum to our growth in the long term.

(2) Western Pharmaceutical and Health Food Products

Turnover for the current period decreased slightly by approximately 1.8% from that of the corresponding period of the previous year to approximately HK$67.9 million. Sales in Hong Kong rose whereas that in Mainland China dropped. In face of the fierce competitive market, the overall gross profit margin has declined. Cough syrup products under our "Madame Pearl's" brand posted a slight decrease in turnover. Products under "MP-Professional" brand like Madame Pearl's BreathEasy patches have shown a stable sales momentum. "Pearl's" anti-mosquito products, which have been a leading brand of the category in Hong Kong, have exhibited healthy growth during the current period. Looking forward, the Group will continue our relentless research efforts in product development to offer more products for broadening our revenue base. In addition, the Group will strive to intensify our product penetration in the market through added advertising and promotion and further exploration of various sales channels such as institutional sales to hospitals.

(3) Property Investment

On 25 November 2015, the Group entered into a provisional sale and purchase agreement for the sale of a property located in Sheung Shui for a consideration of HK$88.0 million. The disposal was completed on 31 May 2016 and a disposal gain of approximately HK$65.7 million was recorded in this regard. Details of the transaction were set out in the Company's announcement dated 26 November 2015.

As at the end of the reporting period, the Group owned twelve properties which are all retail premises. Some of the Group's properties were leased out for commercial purpose whereas some were used by its retail shops. The Company believes in the long-term prospect 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 Easy One

Easy One, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is principally engaged in the businesses of property development in the PRC and provision of finance in Hong Kong.

During the current period, there is no change in the Group's shareholding in Easy One. As at 30 September 2016, the Group held 28.51% of the issued shares of Easy One.

The Group's share of loss of Easy One amounted to approximately HK$18.5 million for the current period (2015: share of profit amounted to approximately HK$97.6 million).

No impairment on the investment in Easy One was recognised by the Group during the current period (2015: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in Easy One.

Subsequent to the end of the reporting period, the Group granted a loan facility to Easy One of not exceeding HK$100.0 million for a term of 24 months at an interest rate of 6.5% per annum, details of which were set out in the Company's announcement dated 5 October 2016. As at the date of this announcement, HK$40.0 million had been drawn down by Easy One.

(5) Investment in China Agri-Products Exchange Limited ("CAP")

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed up to a principal amount of HK$720.0 million of unlisted 5-year bonds due 2019 with coupon interest of 10.0% per annum issued by CAP on 28 November 2014 (the "**CAP Bonds**"). In addition, pursuant to the sale and purchase agreement dated 5 July 2016 (as supplemented on 8 July 2016), the Group had further acquired a principal amount of HK$200.0 million of CAP Bonds (the "**HK$200M CAP Bonds**") from Double Leads Investments Limited ("**Double Leads**"), a subsidiary of Wang On Group Limited, a controlling shareholder and the ultimate holding company of the Company whose shares are listed on the Main Board of the Stock Exchange. As at 30 September 2016, the Group held a principal amount of HK$920.0 million of CAP Bonds.

As at 30 September 2016, the fair value of all CAP Bonds held by the Group amounted to approximately HK$920.0 million (31 March 2016: approximately HK$671.5 million).

(6) Equity Investments at Fair Value through Profit or Loss

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded a net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK$41.1 million for the current period (2015: a net gain of approximately HK$8.9 million).

(7) New Factory Construction Project in Yuen Long Industrial Estate

The Group has been granted a land lot in Yuen Long Industrial Estate for the construction of a state-of-the-art factory to manufacture both Western pharmaceutical and Chinese traditional medicines. The construction of the plant has been completed in the year ended 31 March 2016 and trial production is now underway. Normal production is scheduled to commence in early 2017.

(8) Acquisition of a Factory Building and Two Dormitory Buildings in the PRC

To expand the Group's manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited (the "**Vendor**"), a third party independent of and not connected with the Company and its connected persons, for the acquisition of a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK$81.3 million. HK$32.5 million have been paid on or before 23 October 2015 as part of the consideration and the balance of HK$48.8 million paid on 9 December 2015 to the Vendor's solicitors as stakeholder shall be released to the Vendor upon completion on or before 30 December 2016. Given that additional time is required for arranging the formalities for completing the acquisition, completion of the acquisition has been extended from 16 October 2015 to 30 December 2016, details of which were set out in the Company's announcements dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016, 27 April 2016 and 27 July 2016, respectively.

FINANCIAL REVIEW

Fund Raising

On 29 September 2016, the Company completed a rights issue of three rights shares for every one existing share held by qualifying shareholders at an issue price of HK$0.43 per rights share and a total of 948,857,166 rights shares were issued. The net proceeds from the Rights Issue amounted to approximately HK$400.7 million. The Group intended to utilise as to approximately HK$50.0 million for the payment of installation of facilities and equipment for the Group's factory in the PRC; approximately HK$200.0 million for the acquisition of the HK$200M CAP Bonds from Double Leads; approximately HK$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and the remaining balance of approximately HK$100.7 million for general working capital of the Group.

As at 30 September 2016, approximately HK$200.0 million were utilised for the acquisition of the HK$200M CAP Bonds. The balance of the net proceeds of the Rights Issue is being held as bank deposits and will be utilised as intended.

Liquidity and Gearing

As at 30 September 2016, the Group had total assets of approximately HK$3,643.9 million (31 March 2016: approximately HK$3,237.5 million) which were financed by current liabilities of approximately HK$198.8 million (31 March 2016: approximately HK$320.8 million), non-current liabilities of approximately HK$723.6 million (31 March 2016: approximately HK$587.1 million) and shareholders' equity of approximately HK$2,721.5 million (31 March 2016: approximately HK$2,329.6 million).

As at 30 September 2016, the Group's bank balances and cash were approximately HK$462.6 million (31 March 2016: approximately HK$205.6 million). As at 30 September 2016, the Group's total bank borrowings amounted to approximately HK$773.8 million (31 March 2016: approximately HK$738.7 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 30 September 2016, the maturity profile of all bank borrowings based on the scheduled repayment dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2016:

	30 September 2016 *HK$'000*	31 March 2016 *HK$'000*
Repayable:		
Within one year	**57,500**	130,040
In the second year	**35,000**	154,522
In the third to fifth years, inclusive	**130,000**	331,638
Beyond five years	**551,250**	122,486
	773,750	738,686

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 5.2 (31 March 2016: approximately 2.6). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 28.5% (31 March 2016: approximately 31.8%). The Group always adopts a conservative approach in its financial management.

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 and Hong Kong dollars, matches the currency requirements of the Group's operating expenses. The Group therefore does not engage in any hedging activities.

Capital Commitment

As at 30 September 2016, the Group had capital commitment of approximately HK$47.0 million (31 March 2016: approximately HK$57.9 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

Pledge of Assets

As at 30 September 2016, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of approximately HK$639.9 million (31 March 2016: approximately HK$619.5 million).

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities (31 March 2016: Nil).

EMPLOYEES

As at 30 September 2016, the Group had 759 (31 March 2016: 778) employees, of whom approximately 75.9% (31 March 2016: approximately 75.0%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

PROSPECTS

Being haunted by the uncertain global macro-economic landscape, the market environment is expected to remain acute. The economic slowdown in both Hong Kong and the PRC will continue to dampen consumer confidence. Moreover, the relatively stronger Hong Kong dollar and depreciating yuan will continue to suppress the consumption sentiment of mainland visitors in Hong Kong.

Against the backdrop of prevailing tough market environment, the Group will strive to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities to further uplift the image and competitiveness of its brands and its products. Besides, the Group will devote more resources to widen its sale channels and network. In light of the rapid development and vast potential of e-commerce market, the Group will invest more in online shopping platforms and digital marketing. To further enhance its growth, the Group will continue to eye merger and acquisition opportunities. In spite of the declining retail property market, the Group will keep a close watch on potential opportunities to acquire additional suitable retail premises for long term capital appreciation and widening its income base. On the other hand, the Group will keep reviewing and adjusting its retail store network in both Hong Kong and the PRC so as to lower its operating costs. All the existing tenancy agreements, the coming renewal of tenancy agreements and the signing of new tenancy agreements for its retail shops will also be critically assessed to ensure that they are strategically and commercially sensible. In addition, given the challenging business environment, the Group will continue to enhance its efficiency and to exercise stringent cost control without compromising the quality of its products. The official commencement of operation of the modern manufacturing plant at Yuen Long Industrial Estate in early 2017 will greatly beef up the production and research capacity of the Group, which will in turn offer it greater flexibility to accommodate different market demands and be able to manufacture more diverse pharmaceutical and health food products to cater for various market needs.

With its solid foundation and its trusted position amongst customers, the Group can undoubtedly stand the test of time down the road and is well-positioned to tackle the upcoming challenges and seize the opportunities ahead. The Group is optimistic about its future outlook.

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 2016.

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 2016.

The Group is committed to maintaining a high standard of corporate governance within a sensible framework 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all directors, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the period under review and no incident of non-compliance by the directors was noted by the Company during the period.

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, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited condensed consolidated financial statements for the six months ended 30 September 2016 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Li, Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

This interim results announcement is published on the websites of HKExnews (*www.hkexnews.hk*) and the Company (*www.wyth.net*). The 2016 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman

Hong Kong, 23 November 2016

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. Cho Wing Mou and Mr. Li Ka Fai, David.

* *For identification purposes only*