Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 897

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2006 Interim Report

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Corporate Information

Board of Directors

Executive Directors
TANG Ching Ho *Chairman*
CHAN Chun Hong, Thomas *Managing Director*

Independent Non-executive Directors
LEUNG Wai Ho
YUEN Chi Choi
SIU Man Ho, Simon
CHO Wing Mou

Audit Committee

YUEN Chi Choi *Chairman*
LEUNG Wai Ho
SIU Man Ho, Simon
CHO Wing Mou

Remuneration Committee

SIU Man Ho, Simon *Chairman*
LEUNG Wai Ho
YUEN Chi Choi
CHO Wing Mou
TANG Ching Ho
CHAN Chun Hong, Thomas

Company Secretary

CHAN Chun Hong, Thomas

Qualified Accountant

LAO Wai Keung

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
United Commercial Bank

Auditors

Deloitte Touche Tohmatsu

Legal Advisors

Preston Gates Ellis

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

5th Floor, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Registrar in Hong Kong

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registrar in Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
P.O. Box HM 1540
Hamilton HM FX
Bermuda

Internet Address

www.wyth.net

Stock Code

897

Chairman's Statement

Interim Results

For the six months ended 30 September 2006, the Group achieved a revenue of approximately HK$172.5 million, representing a year-on-year increase of approximately 5.6% (2005: HK$163.4 million). Gross profit was approximately HK$79.1 million (2005: HK$68.3 million), representing an increase of approximately 15.8%. The Group recorded a loss attributable to the equity holders of the Company for the six months ended 30 September 2006 of approximately HK$5.3 million (2005: HK$34.8 million).

The management team of the Group applied various strategic measures to maintain gross profit margin of the Group at a relatively high level. Although facing the inflationary pressure in both the raw materials and the keen price competition in retail market, the gross profit margin of the Group for the period ended 30 September 2006 still has an increase of 4% from last period of 42% to 46% in this period.

For the period under review, the overall business in Wai Yuen Tong, Luxembourg and CNT grew steadily and I was most encouraged by the substantial reduction in the Group's loss of 85%.

Prospects

Look ahead, we believe that our effort in brand loyalty building, effective operation and financial strategies and effective distributional networks, will support the growth of the Group and allow us to gain access to additional business opportunities that may be presented to the Group in the future.

Appreciation

On behalf of the Board, I would like to thank the management and all staff for their concerted effort, commitment and professionalism.

Tang Ching Ho
Chairman

21 December 2006

Management Discussion and Analysis

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

Business Review

(I) Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong")

Revenue for the period under review increased slightly from HK$121 million to HK$121.9 million. During the period under review, the Group opened 5 new retail shops in Hong Kong and 6 concession counters in the PRC, bringing the total to 53 retail shops and 18 concession counters, leading Wai Yuen Tong to be the largest Chinese herbal medicine retail chains in Hong Kong. In addition, Wai Yuen Tong also operates the largest Chinese medical practitioners network in Hong Kong with a total of 40 retail shops providing consultation services by registered Chinese medical practitioners.

With a view to rejuvenate the brand of "Wai Yuen Tong", a new series of rebranding works have been launched in November 2006 to re-strengthen the public image of "Wai Yuen Tong" as the No. 1 Chinese medical and herbal medicine company in Hong Kong.

The awards of the GMP and TGA certifications in early 2006 provides an opportunity to expand the sales in overseas markets.

(II) Luxembourg Medicine Company Limited ("Luxembourg")

For the period under review, Luxembourg's revenue achieved an increase by 42% to HK$31.8 million (2005: HK$22.4 million), mainly due to its successful marketing strategy by increasing the media exposure to the public and rebranded some of our products to cater the needs and preference of the younger consumers.

In addition, cough syrup under the brand of Madame Pearl's, one of the Luxembourg's hero products, continues to grow satisfactory in Hong Kong, PRC and overseas markets.

(III) CNT Health Food Pte Limited ("CNT")

Revenue for the period under review was HK$17.9 million (2005: HK$19.1 million). CNT is one of the largest bottled bird's nest products manufacturers in Singapore. It also provides a diverse range of high quality health products such as hashima, herbal essence and herbal jelly.

CNT has obtained Hazard Analysis Critical Control Points ("HACCP"), an internationally-recognised codex standard on food safety and quality. In view of this, CNT hopes to secure higher market share in Singapore and plans to expand its market to Hong Kong and Mainland China.

Overall Operations Review

(I) Liquidity and Financial Resources

As at 30 September 2006, current assets and current ratio of the Group were approximately HK$289.6 million and 3.08 respectively. Current assets mainly comprised inventories of approximately HK$78.2 million, trade and other receivables of approximately HK$64.0 million, bank balances and cash of approximately HK$90.7 million. The Group had total assets of approximately HK$822.6 million, current liabilities of approximately HK$94.0 million, non-current liabilities of approximately HK$86.9 million and shareholder's equity of approximately HK$641.6 million.

As at 30 September 2006, the overall gearing ratio of the Group is approximately 18% (31 March 2006: 20.6%) represented by total borrowings of approximately HK$115.4 million (31 March 2006: HK$133.1 million) compared to net worth of approximately HK$641.6 million (31 March 2006: HK$646.7 million).

(II) Treasury Policies

The Group generally finances its operation with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong. As at 30 September 2006, total outstanding short-term bank borrowings were approximately HK$30.4 million. The interest rates for most of these loans were determined by reference to the Hong Kong dollar prime rate. The Group has no interest rate hedging arrangement during the period under review. The Board of Directors believes that the Group has sufficient financial resources to discharge its debts and to finance its operation.

(III) Foreign Exchange

The Group has no material foreign exchange exposure. All bank borrowings are denominated in Hong Kong and Singapore dollars. The revenue of the Group, being mostly denominated in Hong Kong and Singapore dollars, matched with the currency requirement of the Group's operating expenses.

(IV) Contingent Liabilities

The Group's contingent liabilities as at 30 September 2006 amounted to approximately HK$3.5 million (31 March 2006: HK$3.8 million).

Disclosure of Interests

(I) Director's Interests in Shares

As at 30 September 2006, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Future Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 9 of Part XV of the SFO (including any interest or short position which any of them was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange.

(II) Substantial Shareholders

As at 30 September 2006, the following persons, other than any Director or chief executive of the Company, had or were deemed or taken to have, interests any/or short positions in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

Ordinary shares of HK$0.01 each

	Number of shares *(Note 1)*	**Percentage** *(Note 3)*
Wang On Group Limited ("Wang On") *(Notes 2)*	684,209,324 (L)	49%
Wang On Enterprises (BVI) Limited ("WOE") *(Note 2)*	684,209,324 (L)	49%
Rich Time Strategy Limited ("Rich Time") *(Notes 2)*	684,209,324 (L)	49%

Notes:

1. The letter "L" denotes a long position in the shares of the Company.
2. Rich Time is wholly owned by WOE, and WOE is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in the 684,209,324 shares held by Rich Time.
3. The percentage represents the number of relevant shares over the total of 1,396,347,688 shares comprising the issued share capital of the Company as at 30 September 2006.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital as at 30 September 2006.

Corporate Governance

The Directors and the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board of directors, sound internal controls, transparency and accountability to all shareholders. The Company applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2006.

(I) Board Composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total of six Directors, comprising two Executive Directors and four Independent Non-executive Directors. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Bye-laws and the Code on CG Practices.

The positions of the Chairman of the Board ("Chairman") (being Mr. TANG Ching Ho) and the Group Managing Director (being Mr. CHAN Chun Hong, Thomas) are held by separate individuals with a view to maintaining an effective segregation of duties in relation to overall management and strategy, on the one hand, and the day-to-day management of the Group's business, on the other.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

(II) 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 Directors' securities transactions. Enquiry was made with all Directors and the Directors have confirmed compliance with the required standards set out in the Model Code during the six months ended 30 September 2006.

(III) Audit Committee

The Company has formulated its written terms of reference for the Audit Committee in accordance with the provisions set out in the Code on CG Practices. The existing Audit Committee comprises four Independent Non-executive Directors, namely, Mr. YUEN Chi Choi (Chairman of the Audit Committee), Mr. LEUNG Wai Ho, Mr. SIU Man HO, Simon and Mr. CHO Wing Mou. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2006.

(IV) Remuneration Committee

In compliance with the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") in September 2005 with a majority of the members thereof being Independent Non-executive Directors. The existing Remuneration Committee comprises four Independent Non-executive Directors, Mr. SIU Man Ho, Simon (Chairman of the Remuneration Committee), Mr. LEUNG Wai Ho, Mr. YUEN Chi Choi and Mr. CHO Wing Mou, and two Executive Directors, Mr. TANG Ching Ho (Chairman of the Company) and Mr. CHAN Chun Hong, Thomas.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Other Information

(I) Purchase, Sale or Redemption of Shares

During the six months ended 30 September 2006, there was no purchase, sale or redemption of the Company's listed shares by the Company or any its subsidiaries.

(II) Management and Staff

As at 30 September 2006, the Group had 520 employees, of which approximately 70% were located in Hong Kong. There had been no material changes in respect of the employee remuneration, remuneration policies and staff development as disclosed in Annual Report 2006.

(III) Share Option Scheme

The Company has 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 Company or its subsidiaries, which have been effective from 18 September 2003. At the balance sheet date, the Board of Directors had not granted any options under the Scheme to the directors or eligible employees of the Company or its subsidiaries to subscribe for shares in the Company and no outstanding share options was exercised during the period under review.

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

	Notes	For the six months ended 30 September 2006 (Unaudited) HK$'000	2005 (Unaudited and restated) HK$'000
REVENUE	3	**172,499**	163,413
Cost of sales		**(93,430)**	(95,089)
Gross profit		**79,069**	68,324
Other income	5	**7,627**	1,475
Distribution costs		**(57,367)**	(60,777)
Administrative expenses		**(30,717)**	(41,764)
Finance costs	6	**(3,505)**	(4,016)
Impairment loss recognised in respect of goodwill		**(161)**	(80)
Gain on disposal of investment properties		**—**	800
Decrease in fair value of investment property		**(150)**	—
Share of results of associates		**90**	571
LOSS BEFORE TAXATION	7	**(5,114)**	(35,467)
Income tax expense	8	**(196)**	—
LOSS FOR THE PERIOD		**(5,310)**	(35,467)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(5,314)**	(34,818)
Minority interests		**4**	(649)
		(5,310)	(35,467)
LOSS PER SHARE	9		
Basic		**(0.4) HK cents**	(6) HK cents
Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2006

	Notes	30 September 2006 (Unaudited) HK$'000	31 March 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Investment property	*10*	**8,950**	9,100
Property, plant and equipment	*11*	**81,840**	84,934
Prepaid lease payments		**138,965**	140,721
Goodwill		**255,461**	255,461
Investments in associates	*13*	**3,747**	3,827
Amount due from an associate	*14*	**7,300**	7,300
Long term bank deposit		**21,350**	7,762
Trademarks		**1,159**	1,216
Deposits paid for investments	*15*	**13,930**	14,704
Deferred tax assets		**341**	341
		533,043	525,366
CURRENT ASSETS			
Inventories		**78,188**	66,958
Trade and other receivables	*16*	**64,046**	59,135
Prepaid lease payments		**3,512**	3,512
Amounts due from associates	*14*	**13,154**	13,631
Taxation recoverable		**777**	1,294
Investments held-for-trading		**19,716**	14,491
Derivative financial instruments		**—**	100
Pledged deposits		**19,506**	42,703
Bank balances and cash		**90,702**	108,793
		289,601	310,617
CURRENT LIABILITIES			
Trade and other payables	*17*	**62,920**	53,502
Taxation payable		**296**	340
Obligations under finance leases		**114**	270
Bank borrowings	*18*	**30,404**	38,323
Deferred franchise income		**242**	234
Convertible loan stock		**6**	6
		93,982	92,675

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 September 2006

	Notes	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
NET CURRENT ASSETS		**195,619**	217,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**728,662**	743,308
NON-CURRENT LIABILITIES			
Obligations under finance leases		**30**	104
Bank borrowings		**84,901**	94,363
Deferred franchise income		**—**	18
Deferred tax liabilities		**2,008**	2,032
		86,939	96,517
NET ASSETS		**641,723**	646,791
CAPITAL AND RESERVES			
Share capital	*19*	**13,964**	13,964
Reserves		**627,676**	632,748
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**641,640**	646,712
MINORITY INTERESTS		**83**	79
TOTAL EQUITY		**641,723**	646,791

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Attributable to the equity holders of the Company									
	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Special reserve (Unaudited) *HK$'000* *(Note a)*	General reserve (Unaudited) *HK$'000* *(Note b)*	Translation reserve (Unaudited) *HK$'000*	Convertible notes reserve (Unaudited) *HK$'000* *(Note c)*	Accumulated losses (Unaudited) *HK$'000*	Sub-total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 April 2005	34,909	409,143	(27,150)	218,508	480	2,270	(44,703)	593,457	7,877	601,334
Reduction in share capital	(31,418)	–	–	–	–	–	31,418	–	–	–
Loss for the period	–	–	–	–	–	–	(34,818)	(34,818)	(649)	(35,467)
At 30 September 2005	3,491	409,143	(27,150)	218,508	480	2,270	(48,103)	558,639	7,228	565,867
Exchange differences arising on translation of foreign operations	–	–	–	–	569	–	–	569	–	569
Share of translation reserve of associates	–	–	–	–	115	–	–	115	–	115
Net income recognised directly in equity	–	–	–	–	684	–	–	684	–	684
Loss for the period	–	–	–	–	–	–	(63,552)	(63,552)	(7,133)	(70,685)
Total recognised income (expense) for the period	–	–	–	–	684	–	(63,552)	(62,868)	(7,133)	(70,001)
Redemption of the convertible notes	–	–	–	–	–	(2,270)	–	(2,270)	–	(2,270)
Issue of new shares	10,473	146,616	–	–	–	–	–	157,089	–	157,089
Share issue expenses	–	(3,878)	–	–	–	–	–	(3,878)	–	(3,878)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(16)	(16)

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 September 2006

	Attributable to the equity holders of the Company									
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Special reserve (Unaudited) HK$'000 (Note a)	General reserve (Unaudited) HK$'000 (Note b)	Translation reserve (Unaudited) HK$'000	Convertible notes reserve (Unaudited) HK$'000 (Note c)	Accumulated losses (Unaudited) HK$'000	Sub-total (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 31 March 2006	13,964	551,881	(27,150)	218,508	1,164	–	(111,655)	646,712	79	646,791
Exchange differences arising on translation of foreign operations	–	–	–	–	242	–	–	242	–	242
Net income recognised directly in equity	–	–	–	–	242	–	–	242	–	242
Loss for the period	–	–	–	–	–	–	(5,314)	(5,314)	4	(5,310)
Total recognised income (expense) for the period	–	–	–	–	242	–	(5,314)	(5,072)	4	(5,068)
At 30 September 2006	**13,964**	**551,881**	**(27,150)**	**218,508**	**1,406**	**–**	**(116,969)**	**641,640**	**83**	**641,723**

Notes:

(a) The special reserve of the Group represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to the group reorganisation in 1995.

(b) 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.

(c) The Company had redeemed all the convertible notes through the rights issue in December 2005.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(1,162)**	(20,294)
Net cash from investing activities	**3,986**	12,270
Net cash (used in)/from financing activities	**(22,229)**	8,144
(Decrease)/increase in cash and cash equivalents	**(19,405)**	120
Cash and cash equivalents at the beginning of the period	**108,008**	43,102
Effect of foreign exchange rates changes	**201**	—
Cash and cash equivalents at the end of the period	**88,804**	43,222
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**90,702**	52,667
Bank overdrafts	**(1,898)**	(9,445)
	88,804	43,222

Notes to Condensed Consolidated Financial Statements

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting polices used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial position of the Group.

2. Principal accounting policies *(Continued)*

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) — INT 8	Scope of HKFRS 2[2]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 May 2006.
3 Effective for annual periods beginning on or after 1 June 2006.
4 Effective for annual periods beginning on or after 1 November 2006.

3. Revenue

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue comprises:		
Sales of goods	**169,530**	160,066
Management, advertising and promotion fees	**2,084**	2,355
Rental income generated from investment properties	**885**	992
	172,499	163,413

4. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into the following major divisions: (i) production and sale of Chinese pharmaceutical and health food products; (ii) production and sale of bottled birds' nest drinks and herbal essence products; (iii) production and sale of Western pharmaceutical and health food products; and (iv) property investments and property holding. These divisions are the basis on which the Group reports its primary segment information.

4. Business and geographical segments *(Continued)*

(a) Business segments *(Continued)*

An analysis of the Group's revenue, contribution to operating results by business segments is presented as follows:

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled bird's nest drinks and herbal essence products		Production and sale of Western pharmaceutical and health food products		Property investments and property holding		Elimination		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
REVENUE												
External	**121,908**	120,984	**17,873**	19,069	**31,833**	22,368	**885**	992	**–**	–	**172,499**	163,413
Inter segment sales *	**376**	101	**14,300**	4,565	**–**	246	**3,336**	4,019	**(18,012)**	(8,931)	**–**	–
	122,284	121,085	**32,173**	23,634	**31,833**	22,614	**4,221**	5,011	**(18,012)**	(8,931)	**172,499**	163,413
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	**3,000**	(9,648)	**161**	(3,560)	**2,657**	114	**(2,901)**	222			**2,917**	(12,872)
Impairment loss recognised in respect of goodwill	**(161)**	(91)	**–**	–	**–**	–	**–**	–			**(161)**	(91)
Release of negative goodwill	**–**	11	**–**	–	**–**	–	**–**	–			**–**	11
Segments results	**2,839**	(9,728)	**161**	(3,560)	**2,657**	114	**(2,901)**	222			**2,756**	(12,952)
Other income											**7,627**	1,475
Unallocated corporate expenses											**(12,082)**	(20,545)
Finance costs											**(3,505)**	(4,016)
Share of results of associates											**90**	571
Loss before taxation											**(5,114)**	(35,467)
Income tax											**(196)**	–
Loss for the period											**(5,310)**	(35,467)

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

4. Business and geographical segments *(Continued)*

(b) Geographical segments

The Group's operation are located in Hong Kong, the People's Republic of China (the "PRC") and Singapore.

The following is an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods and services:

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**126,939**	130,499
PRC, other than Hong Kong	**22,103**	9,312
Singapore	**11,649**	14,638
Others	**11,808**	8,964
	172,499	163,413

5. Other income

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other loan interest income	**366**	218
Interest income	**3,420**	297
Franchise income	**205**	248
Advertising and management fee	**6**	—
Gain on disposal of investments held-for-trading	**2,625**	—
Fair value gain on investments held-for-trading	**50**	—
Dividend income	**108**	—
Processing fee income	**420**	382
Sundry income	**427**	330
	7,627	1,475

6. Finance costs

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**1,446**	1,700
Bank borrowings not wholly repayable within five years	**2,033**	1,760
Finance leases	**26**	26
Effective interest expenses on convertible notes	**—**	530
	3,505	4,016

7. Loss before taxation

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Loss before taxation has been arrived after charging:		
Allowance for inventories	**—**	1,625
Allowance for trade receivables	**26**	2,932
Amortisation of trademarks, included in administrative expenses	**77**	42
Depreciation of property, plant and equipment	**7,826**	7,616
Amortisation of prepaid lease payments	**1,756**	1,756
Management fee paid to a shareholder	**48**	486
and after crediting:		
Written back on allowance for inventories	**204**	—
Rental income, net of outgoing of HK$274,000 (2005: HK$251,000)	**611**	742

8. Income tax expenses

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Other jurisdictions	**351**	—
	351	—
Overprovision in prior years		
Hong Kong Profits Tax	**—**	—
Other jurisdictions	**(129)**	—
Deferred taxation		
Current year	**(26)**	—
	196	—

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the period.

Singapore Income Tax is calculated at 20% (2005: 20%) on the estimated assessable profit for the period.

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

9. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to the ordinary holders of the Company for the period of HK$5,314,000 (2005: HK34,818,000), and the weighted average number of 1,396,347,688 (2005: 552,918,776) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 September 2005 and 2006 does not assume the conversion of the outstanding convertible notes of the Company since their exercise would result in a decrease in net loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2005 has been retrospectively adjusted for the effect of the rights issue and bonus issue and capital reorganisation which were approved by the shareholders of the Company on 16 November 2005 and 8 June 2005 respectively.

10. Investment Property

	HK$'000
Valuation	
At 1 April 2006	**9,100**
Net decrease in fair value during the period	**(150)**
At 30 September 2006	**8,950**

The investment property at the balance sheet date were held under medium term leases in Hong Kong.

The fair value of the Group's investment property at 30 September 2006 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuers not connected with the Group. Vigers are members of the Institute of Valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group has pledged all of its investment property to secure banking facilities granted to the Group.

11. Property, plant and equipment

During the six months ended 30 September 2006, the Group acquired property, plant and equipment for an amount of approximately HK$4,622,000 (six months ended 30 September 2005: HK$8,081,000).

12. Pledge of assets

(a) At 30 September 2006, the Group had pledged its prepaid lease payments, buildings and investment properties with carrying amount of approximately HK$141,413,000 (31 March 2006: HK$143,156,000); HK$40,389,000 (31 March 2006: HK$40,758,000) and HK$8,950,000 (31 March 2006: HK$9,100,000), respectively, to banks to secure general banking facilities granted to the Group.

(b) At 30 September 2006, deposits of approximately HK$19,506,000 (31 March 2006: HK$42,703,000) were pledged to financial institutions to secure derivative financial instruments acquired by the Group during the period.

13. Investments in associates

	30 September 2006 (Unaudited) ***HK$'000***	31 March 2006 (Audited) *HK$'000*
Cost of unlisted investments in associates, less impairment	**10,821**	10,821
Share of post-acquisition reserves, net of dividends received	**(7,074)**	(6,994)
	3,747	3,827

14. Amount due from associates

	30 September 2006 (Unaudited) HK$'000	31 March 2006 (Audited) HK$'000
Amount due from an associate — due after one year	**12,300**	12,300
Less: Impairment loss recognised	**(5,000)**	(5,000)
	7,300	7,300
Amounts due from associates — due within one year	**13,154**	13,631

At 30 September 2006, the amounts due from associates were unsecured, interest-free and are repayable on demand, except for an amount of approximately HK$12,300,000 (31 March 2006: HK$12,300,000). The amount of HK$12,300,000 (31 March 2006: HK$12,300,000) carries interest at 4% to 6.5% (31 March 2006: 4% to 6.5%) per annum and is repayable from 28 February 2008 to 16 August 2015. The fair value of the Group's amounts due from associates at 30 September 2006 approximates to the corresponding carrying amount.

15. Deposits paid for Investments

(a) On 15 September 2005, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party for the acquisition of 8% equity interest of Dongguan Senox Industrial Co., Ltd., Dongguan Senox Agricultural Products Co., Ltd. and Dongguan Senox Logistics Co., Ltd. (hereinafter collectively referred to as the "Senox Group") for an aggregate consideration of HK$24,000,000. The Senox Group is principally engaged in the investment in and management and provision of logistics services in PRC. A deposit of HK$12,000,000 was paid upon entering into the Agreement. In accordance with the Agreement, after payment of the first installment, the vendor should pay the Company the dividends or profit distribution attributable to 8% equity interest in Senox Group within 7 days upon actual receipt of dividends. As at the date of this report, Senox Group had paid dividends amounted to RMB10,000,000 to the vendor and the Group received RMB2,000,000 (approximately HK$1,930,000). The transaction is not completed as at the date of this report. Details of the investment were set out in the Company's announcement dated 16 September 2005. As at 30 September 2006, the outstanding HK$12,000,000 had not been paid by the Group to the vendor in the absence of fulfillment of certain conditions as stated in the Agreement.

(b) On 27 January 2006, the Group entered into a share purchase agreement with Taco Holdings Limited pursuant to which the Group had conditionally agreed to purchase the 205,000,000 ordinary shares of LeRoi Holdings Limited (the "LeRoi"), representing approximately 25.32% of the issued share capital in LeRoi, for a total consideration of HK$37,500,000. Upon completion of the share purchase, the Group will be indirectly interested in approximately 25.32% of the issued share capital of LeRoi. At 30 September 2006, HK$3,000,000 deposits was made and the Group had capital commitment of HK$34,500,000 in respect of such share purchase.

In addition, on 27 January 2006, the Group and LeRoi entered into a subscription agreement in which LeRoi had agreed to issue and the Group agreed to subscribe for convertible notes with an initial principal amount of HK$3,000,000. These two transactions had not been completed as at the date of this report. Details of the share purchase and subscription of convertible notes were set out in the circular to the shareholders of the Company dated 8 February 2006.

16. Trade and other receivables

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
Trade receivables	**51,421**	47,766
Less: accumulated impairment	**(3,029)**	(3,830)
	48,392	43,936
Other receivables	**15,654**	15,199
Total trade and other receivables	**64,046**	59,135

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 balance sheet date:

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
0 — 30 days	**17,816**	15,216
31 — 60 days	**10,201**	8,221
61 — 120 days	**15,196**	17,755
Over 120 days	**5,179**	2,744
	48,392	43,936

The fair value of the Group's trade and other receivables at 30 September 2006 approximates to the corresponding carrying amount.

17. Trade and other payables

Include in trade and other payables are trade payables of approximately HK$29,983,000 (31 March 2006: HK$26,933,000) and their aged analysis is as follows:

	30 September 2006 (Unaudited) *HK$'000*	31 March 2006 (Audited) *HK$'000*
0 — 30 days	**17,005**	12,722
31 — 60 days	**10,398**	7,606
61 — 120 days	**1,337**	4,205
Over 120 days	**1,243**	2,400
	29,983	26,933
Other payables	**32,937**	26,569
	62,920	53,502

The fair value of the Group's trade and other payables at 30 September 2006 approximates to the carrying amount.

18. Bank borrowings

During the period, the Group obtained new borrowings amounting to HK$27,626,000 and repaid HK$46,120,000. The loans bear interest at market rates from 4.81% to 8.25%. The proceeds were used to finance the operation.

19. Share capital

Shares

	Number of shares	Amount (Unaudited) *HK$'000*
Authorised:		
At 1 April 2006 and 30 September 2006, ordinary shares of HK$0.01 each	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2006 and 30 September 2006, ordinary shares of HK$0.01 each	1,396,347,688	13,964

Share options

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

20. Capital commitments

At 30 September 2006, the Group had capital commitments of approximately HK$47,060,000 (31 March 2006: 49,490,000) in respect of the acquisition of equity interest in LeRoi and Senox Group, property, plant and equipment contracted for but not provided in the consolidated financial statements.

21. Contingent liabilities

	30 September 2006 (Unaudited) ***HK$'000***	31 March 2006 (Audited) *HK$'000*
Guarantee given to bankers in respect of banking facilities granted to third parties	**3,521**	3,799

22. Operating leases

The Group as lessee:

The Group made minimum lease payments of approximately HK$15,193,648 (2005: HK$12,822,000) under operating leases during the period in respect of its office properties and retail shops.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 September 2006 (Unaudited) ***HK$'000***	31 March 2006 (Audited) *HK$'000*
Within one year	**28,239**	27,930
In the second to fifth year inclusive	**14,357**	10,638
	42,596	38,568

Operating lease payments represent rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for a term ranging from 2 to 3 years. Certain lease rentals are based on revenue of the relevant retail shops.

22. Operating leases *(Continued)*

The Group as lessor:

Property rental income earned during the period was approximately HK$885,000 (2005: HK$993,000). All of the properties held have committed tenants for the next three year.

At 30 September 2006, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2006 (Unaudited) ***HK$'000***	31 March 2006 (Audited) *HK$'000*
Within one year	**1,920**	405
In the second to fifth year inclusive	**3,360**	—
	5,280	405

23. Post balance sheet events

On 21 November 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK$8.95 million. The transaction has not yet been completed at the date of this report.

24. Connected and 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 balance sheet date, are as follows:

		For the six months ended 30 September	
Name of related party	**Transactions**	**2006 (Unaudited) *HK$'000***	2005 (Unaudited) *HK$'000*
(i) Connected parties			
Wang On and its subsidiaries (the "Wang On Group")	Interest on convertible notes paid by the Group	**—**	240
	Management fee paid by the Group	**48**	486
	Rental paid by the Group	**150**	—
	Rental received by the Group	**885**	993
	Rental paid by the associate of the Group	**234**	—
(ii) Related parties other than connected parties			
Associates	Sales of Chinese pharmaceutical products by the Group	**15,781**	15,618
	Subcontracting fee paid by the Group	**—**	70
	Management advertising and promotion fees received by the Group	**1,137**	1,259
	Facilities granted by the Group	**10,000**	8,500
	Interest income received by the Group	**329**	183

24. Connected and related party disclosures *(Continued)*

(iii) Compensation of key management personnel

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

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**836**	852
Post-employment benefits	**12**	12
	848	864

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

25. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 21 December 2006.