



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 2007

INTERIM RESULTS

The board of directors (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006. These condensed consolidated financial statements were not audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE		213,872	172,499
Cost of Sales		(118,314)	(93,430)
Gross Profit		95,558	79,069
Other income	4	23,065	7,627
Distribution costs		(68,754)	(57,367)
Administrative expenses		(39,028)	(30,717)
Finance costs	5	(3,116)	(3,505)
Impairment loss recognized in respect of goodwill		–	(161)
Decrease in fair value of investment property		–	(150)
Gain on disposal of interest in an associate		9,577	–
Share of results of associates		(372)	90
PROFIT (LOSS) BEFORE TAXATION	6	16,930	(5,114)
Income tax expense	7	(1,509)	(196)
PROFIT (LOSS) FOR THE PERIOD		15,421	(5,310)
ATTRIBUTABLE TO:			
Equity holders of the Company		15,416	(5,314)
Minority interests		5	4
		15,421	(5,310)
EARNINGS (LOSS) PER SHARE	8		
Basic		1.0 HK cents	(0.4) HK cents
Diluted		N/A	N/A

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2007*

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		34,928	37,229
Prepaid lease payments		96,253	97,503
Goodwill		206,064	206,064
Interests in associates		14,220	4,872
Amounts due from associates		–	20,000
Trademarks		1,066	1,100
Long-term bank deposits		7,813	7,813
Investments in unlisted notes		3,901	6,956
Deferred tax assets		57	57
		<hr/> 364,302	<hr/> 381,594
CURRENT ASSETS			
Inventories		97,771	67,059
Trade and other receivables	9	76,145	69,346
Prepaid lease payments		2,500	2,500
Amounts due from associates		29,198	9,525
Deposits paid for investments		–	9,378
Tax recoverable		321	435
Investments in unlisted notes		–	1,974
Investments held-for-trading		25,608	14,475
Derivative financial instruments		74	–
Pledged deposits		8,167	–
Bank balances and cash		587,807	236,625
		<hr/> 827,591	<hr/> 411,317
CURRENT LIABILITIES			
Trade and other payables	10	91,212	73,228
Tax payable		1,532	426
Obligations under finance leases		31	29
Bank borrowings		14,338	15,368
Deferred franchise income		158	223
Convertible loan stock		8	8
		<hr/> 107,279	<hr/> 89,282
NET CURRENT ASSETS		<hr/> 720,312	<hr/> 322,035
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,084,614	<hr/> 703,629

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Obligations under finance leases	–	22
Bank borrowings	37,341	43,855
Convertible notes	224,689	–
Deferred tax liabilities	2,054	2,054
	<hr/> 264,084	<hr/> 45,931
NET ASSETS	<hr/> 820,530	<hr/> 657,698
CAPITAL AND RESERVES		
Share capital	16,753	13,964
Reserves	803,665	643,627
	<hr/> 820,418	<hr/> 657,591
Equity attributable to equity holders of the Company	112	107
Minority interests	<hr/> 820,530	<hr/> 657,698
TOTAL EQUITY	<hr/> 820,530	<hr/> 657,698

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 financial instruments, which are measured at fair values.

The accounting policies 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 2007.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2007.

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
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁵

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

⁵ Effective for annual periods beginning on or after 1 March 2007

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer loyalty programmes ³
HK(IFRIC) – Int 14	HKAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. 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 Western pharmaceutical and health food products; and (iii) production and sale of bottled birds' nest drinks and herbal essence products. These divisions are the basis on which the Group reports its primary segment information.

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 Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Elimination		Total	
	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
REVENUE										
External	156,426	122,793	38,339	31,833	19,107	17,873	-	-	213,872	172,499
Inter segment sales*	3,396	3,712	42	-	12,659	14,300	(16,097)	(18,012)	-	-
	159,822	126,505	38,381	31,833	31,766	32,173	(16,097)	(18,012)	213,872	172,499
RESULTS										
Segment results, excluding impairment loss recognized in respect of goodwill	669	99	3,981	2,657	1,386	161			6,036	2,917
Impairment loss recognized in respect of goodwill	-	(161)	-	-	-	-			-	(161)
	669	(62)	3,981	2,657	1,386	161			6,036	2,756
Other income									23,065	7,627
Unallocated corporate expenses									(18,260)	(12,082)
Finance costs									(3,116)	(3,505)
Gain on disposal of interest in an associate									9,577	-
Share of results of associates									(372)	90
Profit (loss) before taxation									16,930	(5,114)
Income tax expense									(1,509)	(196)
Profit (loss) for the period									15,421	(5,310)

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

(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	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	156,061	126,939
PRC, other than Hong Kong	33,076	22,103
Singapore	13,941	11,649
Others	10,794	11,808
	213,872	172,499

4. **OTHER INCOME**

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on investments in unlisted notes	504	–
Interest income on bank deposits	7,295	3,420
Other interest income	792	366
Franchise income	128	205
Gain on disposal of investment held-for-trading	2,737	2,625
Fair value gain on investments held-for-trading	7,520	50
Gain on disposal of convertible notes	1,945	–
Gain on recognition of derivative financial instruments	74	–
Recognition of deferred income on disposal of a subsidiary	150	–
Dividend income	40	108
Compensation income	430	–
Processing fee income	460	420
Sundry income	990	433
	23,065	7,627

5. FINANCE COSTS

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	355	1,446
Bank borrowings not wholly repayable within five years	1,215	2,033
Finance leases	3	26
Effective interest expenses on convertible notes	1,543	–
	<u>3,116</u>	<u>3,505</u>

6. PROFIT (LOSS) BEFORE TAXATION

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit (loss) before taxation has been arrived after charging:		
Allowance for inventories	3,466	–
Allowance for trade receivables	2,808	26
Amortization of trademarks, included in administrative expenses	77	77
Depreciation of property, plant and equipment	7,046	7,826
Amortization of prepaid lease payments	1,250	1,756
Management fee paid to a shareholder	48	48
and after crediting:		
Written back on allowance for inventories	–	204
	<u>–</u>	<u>204</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	628	–
Other jurisdictions	820	351
	<u>1,448</u>	<u>351</u>
Under (over) provision in prior years		
Hong Kong Profits Tax	61	–
Other jurisdictions	–	(129)
Deferred taxation		
Current year	–	(26)
	<u>1,509</u>	<u>196</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

Singapore Income Tax is calculated at 18% (2006: 20%) on the estimated assessable profit for the period.

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

8. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit (loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	<u>15,416</u>	<u>(5,314)</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>1,539,659,163</u>	<u>1,396,347,688</u>

The computation of diluted earnings per share for the six months ended 30 September 2007 does not assume the exercise of the outstanding options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) nor the conversion of the outstanding convertible loan stock of the Company which would result in an increase in basic earnings per share.

9. TRADE AND OTHER RECEIVABLES

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Trade receivables	50,226	50,478
Less: accumulated impairment	(3,710)	(902)
	46,516	49,576
Other receivables and prepayment	29,629	19,770
	76,145	69,346

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 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	21,565	18,360
31 – 60 days	12,895	18,718
61 – 120 days	10,472	9,418
Over 120 days	1,584	3,080
	46,516	49,576

The fair value of the Group's trade and other receivables at 30 September 2007 approximates to the corresponding carrying amount.

10. TRADE AND OTHER PAYABLES

Include in trade and other payables are trade payables of approximately HK\$48,118,000 (31 March 2007: HK\$40,724,000) and their aged analysis is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	38,007	18,816
31 – 60 days	8,202	13,709
61 – 120 days	523	5,576
Over 120 days	1,386	2,623
	48,118	40,724
Other payables	43,094	32,504
	91,212	73,228

The fair value of the Group's trade and other payables at 30 September 2007 approximates to the carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a turnover of HK\$213.9 million (2006: HK\$172.5 million) for the six months ended 30 September 2007, posting a year-on-year growth of approximately 24.0%. Gross profit of HK\$95.6 million (2006: HK\$79.1 million) was reported, representing a growth of approximately 20.9%. The booming economy plus the timely strategic expansion program launched in 2006 enabled the Group to continue to increase its market penetration in Hong Kong, mainland China and other overseas markets. The Group's operations turned around and recorded a profit attributable to equity holders for the six months ended 30 September 2007 of HK\$15.4 million (2006: loss attributable to equity holders of HK\$5.3 million).

(1) Chinese Pharmaceutical Products

Turnover for the period under review was a record high of HK\$156.4 million (2006: HK\$122.8 million), representing an increase of approximately 27.4% as compared with last year's corresponding period. The rejuvenation of the "Wai Yuen Tong" brand in the fourth quarter of 2006 proved to be very successful in capturing increased public awareness of the brand. The growing number of brand marketing activities and promotions had uplifted our public image as the No. 1 Chinese herbal medicine retail chain, Chinese medical practitioners network, and provider of the best quality traditional Chinese medicine products. During the period under review, the Group continued to expand its retail network by increasing 14 retail outlets in Hong Kong and the PRC, bringing the total number of retail outlets to 94.

(2) Western Pharmaceutical Products

The turnover of Western pharmaceutical and health products grew approximately 20.4% to HK\$38.3 million (2006: HK\$31.8 million). The growth mainly came from the sale of the core product, cough syrup, through the sales channels and network spread over 18 provinces in the PRC. The Group will continue to focus on the sale of cough syrup but will also allocate resources to develop other products related to upper respiratory tract infections. New business opportunities will be sought to optimise the utilisation of the strong distribution network in Hong Kong and the PRC.

(3) Chinese Health Food Business

CNT Health Food Pte Limited ("CNT"), our subsidiary with principal operations in Singapore, is responsible for the Group's manufacturing of Chinese health food. The revenue for the period under review was HK\$19.1 million (2006: HK\$17.9 million), representing an increase of approximately 6.7% as compared with last year's corresponding period. The enhanced production efficiency continued to allow it to show a remarkable improvement in gross profit margin.

(4) Investment in LeRoi Holdings Limited

LeRoi Holdings Limited (“LeRoi”) is engaged in the trading of fashion apparel, the sale of fresh pork meat and related products, property holding and property development in Vietnam and the PRC.

In July 2007, the Group disposed of HK\$10 million in principal amount of our holding of convertible notes issued by LeRoi and recorded a profit of HK\$1.9 million from this sale.

On 6 August 2007, the Group entered into a subscription agreement with LeRoi to subscribe for (i) 2,100,000,000 new shares in LeRoi at the subscription price of HK\$0.10 per share; and (ii) the convertible bonds with a principal amount of HK\$190 million which are convertible into 1,583,333,333 shares of LeRoi at the conversion price of HK\$0.12 per share. Completion took place on 5 October 2007. As at the date of this announcement, the shareholding of the Company in LeRoi stands at 29.97%.

FINANCIAL REVIEW

Liquidity, Capital Structure and Gearing

On 11 June 2007, the Company entered into a placing agreement with a placing agent to place, on a fully underwritten basis, 279 million new shares to independent investors at the price of HK\$0.46 per share. The share placement was completed on 29 June 2007. The net proceeds of approximately HK\$124.1 million are intended to be used for the expansion of the Group’s “Wai Yuen Tong” retail network in the PRC and Hong Kong and as general working capital of the Group.

On 11 June 2007, the Company entered into a separate placing agreement with the same placing agent to place, on a fully underwritten basis, up to an aggregate principal amount of HK\$250 million of convertible notes to be issued by the Company, which are convertible into new shares of the Company at a conversion price of HK\$0.58 per share. The convertible notes placement was completed on 14 August 2007. The net proceeds of approximately HK\$245.5 million are intended to be used as to approximately HK\$180 million for potential acquisitions and the remaining balance as general working capital of the Group.

Overall speaking, the Group has consistently maintained a sufficient working capital level which enables the Group to actively looking for potential business opportunities available in the market. As at 30 September 2007, the Group had current assets of HK\$827.6 million (31 March 2007: HK\$411.3 million), with current ratio at 7.7 (31 March 2007: 4.6). The current assets mainly comprised of inventories of HK\$97.8 million (31 March 2007: HK\$67.1 million), trade and other receivables of HK\$76.1 million (31 March 2007: HK\$69.3 million), and bank balances and cash of HK\$596.0 million (31 March 2007: HK\$236.6 million). The Group reported total assets of HK\$1,191.9 million (31 March 2007: HK\$792.9 million), current liabilities of HK\$107.3 million (31 March 2007: HK\$89.3 million), non-current liabilities of HK\$264.1 million (31 March 2007: HK\$45.9 million) and equity attributable to equity holders of HK\$820.4 million (31 March 2007: HK\$657.7 million).

As at 30 September 2007, the Group’s total borrowings amounted to HK\$51.7 million (31 March 2007: HK\$59.3 million). The gearing ratio, being the ratio of total borrowings to equity attributable to equity holders, was approximately 6.3% (31 March 2007: 9.0%).

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 and Singapore dollars. The revenue of the Group, being mostly denominated in Hong Kong and Singapore dollars, matched the currency requirement of the Group's operating expenses. Accordingly, the Group does not engage in any hedging contracts.

EMPLOYEES

As at 30 September 2007, the Group had approximately 560 employees, of whom approximately 88% were located in Hong Kong. The Group's policy is to ensure that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group also makes available a share option scheme to its employees.

PROSPECT

The Group expects the respective growth momentum in the Chinese pharmaceutical products and is targeting to maintain overall turnover growth similar to the first half of the financial year. Encouraged by the robust comparable-store-sales growth and continuous retail profitability improvement, we will accelerate our retail network expansion, particularly in mainland China. The Group is now working on a model in mainland China which will provide a platform for the future expansion.

In the fourth quarter of 2007, the Group invested approximately HK\$5 million in a series of advertising campaigns targeting to re-energize the classic brand of "Madame Pearl's". Along with the advertising events, the Group will move into the ethical drugs markets, with the launch of Madame Pearl's Mucolytic products in hospital and private clinics in Hong Kong and Macau. The success of the launch will not only uplift its classic brand image to professional image, but will help strengthen the brand position of Madame Pearl's as the "Respiratory Specialist" and open channels for continued development in more professional products.

As for the Chinese health food business, the Group has been the single largest bottled bird's nest contract manufacturer in Singapore for three consecutive years and will continue to secure its top position through the provision of OEM services. The Group sets out strategies aiming at becoming the world's leading manufacturer of health foods, developing its dried bird's nest wholesale business and seeking to expand into the mainland China and overseas Chinese communities.

Brand positioning, product development, distribution network and quality management are the essentials to drive the long-term growth in our business. The Group has sufficient cash on hand and keeps actively looking for acquisition targets that have synergy to our existing businesses. Given the crystal clear expansion strategies and good track record in the first half year result, the Group is confident in continuing to maximize returns to the shareholders.

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 2007.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2007.

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has reviewed the unaudited financial statements for the six months ended 30 September 2007 of the Group. The audit committee comprises four independent non-executive directors of the Company.

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 of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (<http://www.wyth.net>) and the Stock Exchange (www.hkex.com.hk) respectively. The 2007 interim report will be despatched to the shareholders of the Company and available on the same 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, 12 December 2007

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