



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 FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2008**

The board of director (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2008, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	2	477,021	381,266
Cost of sales		(255,612)	(205,952)
Gross profit		221,409	175,314
Other income	4	26,938	17,649
Selling and distribution costs		(151,679)	(118,004)
Administrative expenses		(87,332)	(64,922)
Finance costs	5	(13,056)	(6,085)
Change in fair value of derivative financial instruments		(832)	–
Change in fair value of options embedded in an unlisted note		264,807	–
Discount on acquisition of a subsidiary		12,324	–
Gain on deemed disposal of partial interest in an associate		8,360	–
Impairment loss recognised in respect of goodwill		(180,859)	(49,558)
Share of results of associates		(14,294)	(705)
Gain on disposal of a subsidiary		–	100,618
Impairment loss recognised in respect of an associate		–	(36,863)
Allowance for amount due from an associate		–	(6,389)
Loss on disposal of investment properties		–	(150)
Profit before taxation	6	85,786	10,905
Income tax expense	7	(2,404)	(982)
Profit for the year		83,382	9,923
Attributable to:			
Equity holders of the Company		83,767	9,895
Minority interests		(385)	28
		83,382	9,923
Earnings per share	9		
– Basic		5.21 cents	0.71 cents

* For identification purpose only

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment property		–	–
Property, plant and equipment		56,314	37,229
Prepaid lease payments		96,277	97,503
Goodwill		25,271	206,064
Interests in associates		209,043	4,872
Amounts due from associates		–	20,000
Derivative financial instruments		333,270	207
Other intangible assets		4,604	1,100
Long-term bank deposits		–	7,813
Investments in unlisted notes		168,363	6,749
Prepayment for acquisition of interest in an associate		1,200	–
Deposit for acquisition of property, plant and equipment		910	–
Deferred tax assets		378	57
		<hr/> 895,630	<hr/> 381,594
CURRENT ASSETS			
Inventories		97,277	67,059
Trade and other receivables	<i>10</i>	80,333	69,346
Prepaid lease payments		2,762	2,500
Amounts due from associates		5,280	9,525
Prepayment for an investment		–	9,378
Tax recoverable		309	435
Investments in unlisted notes		3,889	1,974
Investments held-for-trading		16,644	14,475
Pledged deposits		1,599	–
Bank balances and cash		100,019	236,625
		<hr/> 308,112	<hr/> 411,317
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	69,916	73,228
Tax payable		2,289	426
Obligations under finance leases		13	29
Bank borrowings		12,948	15,368
Derivative financial instruments		832	–
Deferred franchise income		113	223
Convertible loan stock		8	8
Advances from minority shareholders of a subsidiary		3,030	–
		<hr/> 89,149	<hr/> 89,282
NET CURRENT ASSETS		<hr/> 218,963	<hr/> 322,035
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,114,593	<hr/> 703,629

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		9	22
Derivative financial instruments		44,795	–
Convertible loan note		138,022	–
Bank borrowings		35,385	43,855
Deferred tax liabilities		1,115	2,054
		<hr/> 219,326	<hr/> 45,931
NET ASSETS		<hr/> 895,267	<hr/> 657,698
CAPITAL AND RESERVES			
Share capital		16,754	13,964
Reserves		872,247	643,627
		<hr/> 889,001	<hr/> 657,591
Equity attributable to equity holders of the Company		889,001	657,591
Minority interests		6,266	107
		<hr/> 895,267	<hr/> 657,698
TOTAL EQUITY		<hr/> 895,267	<hr/> 657,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7, retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising or Liquidation ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

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

² Effective for annual periods beginning on or after 1 July 2009

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

⁴ Effective for annual periods beginning on or after 1 July 2008

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

2. REVENUE

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

	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Sales of goods	472,564	374,990
Management, advertising and promotion fees	4,457	4,457
Rental income generated from investment properties	–	1,819
	477,021	381,266

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

	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		Property investments and property holding		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE												
External sales	335,532	271,236	96,701	75,158	44,788	33,053	-	1,819	-	-	477,021	381,266
Inter segment sales *	2,884	3,577	76	31	24,752	21,938	-	4,096	(27,712)	(29,642)	-	-
	338,416	274,813	96,777	75,189	69,540	54,991	-	5,915	(27,712)	(29,642)	477,021	381,266
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	272	7,771	2,666	9,410	5,539	(1,004)	-	97,190	-	-	8,477	113,367
Impairment losses recognised in respect of goodwill	(80,707)	(37,843)	(95,802)	(11,715)	(4,350)	-	-	-	-	-	(180,859)	(49,558)
Segment results	(80,435)	(30,072)	(93,136)	(2,305)	1,189	(1,004)	-	97,190	-	-	(172,382)	63,809
Other income											26,938	17,649
Unallocated corporate expenses											(26,079)	(20,511)
Finance costs											(13,056)	(6,085)
Allowance for amount due from an associate											-	(6,389)
Discount on acquisition of a subsidiary											12,324	-
Gain on deemed disposal of partial interest in an associate											8,360	-
Change in fair value of derivative financial instruments											(832)	-
Change in fair value of options embedded in an unlisted note											264,807	-
Share of results of associates											(14,294)	(705)
Impairment loss recognised in respect of an associate											-	(36,863)
Profit before taxation											85,786	10,905
Income tax expense											(2,404)	(982)
Profit for the year											83,382	9,923

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

	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		Property investments and property holding		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES										
ASSETS										
Segmental assets before goodwill	250,414	231,587	60,397	26,733	22,330	13,757	-	-	333,141	272,077
Goodwill	11,971	92,612	13,300	109,102	-	4,350	-	-	25,271	206,064
Segment assets	262,385	324,199	73,697	135,835	22,330	18,107	-	-	358,412	478,141
Interests in associates									209,043	4,872
Unallocated corporate assets									636,287	309,898
Consolidated total assets									1,203,742	792,911
LIABILITIES										
Segmental liabilities	41,365	53,100	18,024	8,564	7,764	5,641	-	-	67,153	67,305
Unallocated corporate liabilities									241,322	67,908
Consolidated total liabilities									308,475	135,213
OTHER INFORMATION										
Capital expenditure	9,551	7,176	874	-	501	13	-	839	10,926	8,028
Capital expenditure through acquisition of subsidiaries	174	618	25,782	-	-	-	-	-	25,956	618
Depreciation of property, plant and equipment	12,734	13,531	1,559	363	673	726	-	1,307	14,966	15,927
Amortisation of other intangible assets	159	154	250	-	-	-	-	-	409	154
Recognition (reversal) of allowance for trade and other receivables	2,763	(2,474)	3,522	(4)	548	15	-	-	6,833	(2,463)
Allowance (written back) for inventories	1,865	479	421	(283)	-	1,178	-	-	2,286	1,374

(b) Geographical segments

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

The following is an analysis of the Group's revenue by geographical market based on location of customers, irrespective of the origin of the goods and services:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	344,557	284,270
The PRC	75,316	53,567
Singapore	31,744	21,995
Others	25,404	21,434
	477,021	381,266

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	278,072	447,810	9,726	8,633
The PRC	59,484	12,274	26,641	–
Singapore	14,482	12,980	501	13
Others	6,374	5,077	14	–
	358,412	478,141	36,882	8,646

4. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Exchange gain, net	407	684
Fair value gain on investments held-for-trading, net	1,460	6,291
Franchise income	212	418
Gain on disposal of investments in unlisted notes	1,945	–
Interest income from loans to associates	778	68
Interest income on bank deposits	10,810	5,640
Interest income on investment in unlisted notes in financial institutions	239	250
Effective interest income in unlisted note	4,872	44
Processing fee income	1,071	2,183
Rental income	1,981	90
Sundry income	3,163	1,981
	26,938	17,649

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	744	3,361
Bank borrowings not wholly repayable within five years	2,201	2,689
Effective interest expense on convertible loan note	10,041	–
Convertible loan stock	1	1
Finance leases	4	34
Others	65	–
	<u>13,056</u>	<u>6,085</u>

6. PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Staff costs		
– Directors' remuneration	3,778	1,790
– Other staff costs	82,742	69,194
– Retirement benefit scheme contributions other than directors	4,737	3,508
	<u>91,251</u>	<u>74,492</u>
Total staff costs		
Recognition (reversal) of allowance for trade and other receivables	6,833	(2,463)
Allowance for obsolete stock	2,286	1,374
Amortisation of other intangible assets, included in administrative expenses	409	154
Auditor's remuneration	2,374	2,300
Depreciation of property, plant and equipment	14,966	15,927
Loss on disposal of property, plant and equipment	63	–
Amortisation of prepaid lease payments	2,612	3,512
Management fee paid to a shareholder	996	996
Research and development expenses	1,353	1,009
Gross rental income	–	(1,819)
Less: direct outgoing expenses	–	540
Sub-lease income	(1,981)	(90)
Cost of inventories recognised as an expenses	<u>253,326</u>	<u>204,578</u>

7. INCOME TAX EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax	2,580	404
Other jurisdictions	1,038	201
	<hr/>	<hr/>
	3,618	605
(Over) underprovision in prior years		
Hong Kong Profits Tax	(3)	76
Deferred taxation		
Current year	(1,211)	301
	<hr/>	<hr/>
	2,404	982
	<hr/>	<hr/>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both years.

Singapore Income Tax is calculated at 18% of the estimated assessable profit for both years.

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

8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

9. EARNINGS PER SHARE

For the year ended 31 March 2008, the calculation of the basic and diluted earnings per share is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit for the year attributable to the equity holders of the parent for the purpose of basic earnings per share	83,767	9,895
	<hr/>	<hr/>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,607,503,426	1,396,347,688
	<hr/>	<hr/>

The computation of diluted earnings per share for the year ended 31 March 2008 does not assume the exercise of the outstanding share options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company on The Hong Kong Stock Exchange nor the conversion of the outstanding convertible loan stock and convertible loan note of the Company, the exercise of which would result in an increase in basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	55,638	50,478
<i>Less: accumulated impairment</i>	<i>(9,471)</i>	<i>(902)</i>
	<hr/>	<hr/>
	46,167	49,576
Deposit, prepayments and other receivables	34,166	19,770
	<hr/>	<hr/>
Total trade and other receivables	80,333	69,346
	<hr/>	<hr/>

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	17,787	18,360
31 – 60 days	5,232	18,718
61 – 120 days	17,187	9,418
Over 120 days	5,961	3,080
	<hr/>	<hr/>
	46,167	49,576
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$26,684,000 (2007: HK\$40,724,000) and their aged analysis is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	11,512	18,816
31 – 60 days	12,134	13,709
61 – 120 days	1,126	5,576
Over 120 days	1,912	2,623
	<hr/>	<hr/>
	26,684	40,724
Other payables	43,232	32,504
	<hr/>	<hr/>
	69,916	73,228
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the financial year ended 31 March 2008, the Group's turnover was HK\$477.0 million (2007: HK\$381.3 million), posting a year-on-year growth of 25.1%. The Company recorded profit attributable to equity holders for the year of HK\$83.8 million (2007: HK\$9.9 million), a surge of 746.5%. Basic earnings per share was HK\$5.21 cents (2007: HK\$0.71 cents.)

DIVIDENDS

No interim dividend was paid during the year (2007: Nil). The Board does not recommend the payment of a final dividend for the financial year ended 31 March 2008.

BUSINESS REVIEW

During the financial year under review, the retailing and distribution of Chinese herbal medicinal and health care products in the local Hong Kong market continued to experience intensified market competition. The Group continued to adhere to the direction set forth in the strategic expansion program rolled out in late 2006 and focus on improving the operating efficiency. As a result, the Group's major operating divisions of Chinese pharmaceutical products, Western pharmaceutical and health products and Chinese health food business achieved double-digit growth in turnover of 25.1% to HK\$477.0 million.

Chinese Pharmaceutical Products

Turnover for the year under review reached a record high of HK\$335.5 million (2007: HK\$271.2 million, representing an increase of 23.7% as compared with last year. Stepping into the second year launch of the "Wai Yuen Tong" brand rejuvenation program, more retail outlets were refurbished with the new visual image, products were repackaged with new brand icon designs and retail outlets' visual merchandising were rejuvenated by displaying instore promotional signages carrying the new image. All these interactive marketing and brand reinforcement activities continued to bring success in raising public awareness of the brand. Its number one positioning in Chinese herbal medicine retail chain, Chinese medical practitioners network and provider of the best quality traditional Chinese medicine products was strengthened.

Western Pharmaceutical Products

On 9 November 2007, the Group acquired a further 32% interest in its associated company, China Field Enterprises Limited ("China Field"), at a consideration of HK\$4.0 million. China Field became a subsidiary of the Company as a result. China Field was an investment holding company and held 64.2% equity interest in a non wholly-owned subsidiary, Hunan Xiangya Pharmaceutical Co. Ltd ("Hunan Xiangya") immediately following the disposal of 15.8% interest in Hunan Xiangya. After completion of the aforesaid acquisition and disposal, the effective interest of the Group in Hunan Xiangya increased from 39% to 52%. Hunan Xiangya is principally engaged in the production of Western pharmaceutical products.

The turnover of Western pharmaceutical and health products grew 28.6% from HK\$75.2 million to HK\$96.7 million. 17.2% of the growth came from the sales of the core products of cough syrup through the sales channels and network spread over Hong Kong and 18 provinces in the People's Republic of China (the "PRC"). Additional turnover of HK\$8.6 million came from Hunan Xiangya, a previous associated company, which became a subsidiary with the Group's effective shareholding in Hunan Xiangya increasing from 39% to 52% on 9 November 2007, accounting for 11.4% of the growth. The launch of

advertising campaigns targeting to re-energise the classic brand of “Madame Pearl’s” and the successful launch of Madame Pearl’s Mucolytic products in October 2007 in hospitals and clinics in Hong Kong and Macau, has not only lifted its classic brand image to professional image, but also strengthened the brand position of Madame Pearl’s as the “Respiratory Specialist” and given the management the confidence of exploring new channels for continued development in more professional products.

Chinese Health Food Business

The Group’s business of manufacture of Chinese health food is operated through the production arm of CNT Health Food Pte Limited (“CNT”) in Singapore. The revenue for the year under review was HK\$44.8 million (2007: HK\$33.0 million), up by 35.8%. Its tightened efforts in monitoring the purchasing function and wastage reduction program led to improvement in gross profit margin.

Investment in LeRoi Holdings Limited

LeRoi Holdings Limited (“LeRoi”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) is engaged in the sale of fresh pork meat and related products, property holding and property development in Hong Kong and the PRC.

In July 2007, the Group subscribed for an additional HK\$7 million convertible notes issued by LeRoi and the Group’s holding in other convertible notes previously issued by LeRoi with an aggregate amount of HK\$10 million was disposed of during the year.

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) convertible bonds with a principal amount of HK\$190 million which are convertible into 1,583,333,333 shares of LeRoi at an initial conversion price of HK\$0.12 per share (subject to adjustment). Completion took place on 5 October 2007. As at the date of this announcement, the Company held a 29.97% equity interest in LeRoi.

The options embedded in the convertible bonds issued by LeRoi are subject to the fluctuation of the share price of LeRoi. The closing market price of shares in LeRoi has dropped from HK\$0.34 as at balance sheet date to HK\$0.26 as at the trading date immediately before the date of this announcement which resulted in a substantial decrease in the fair value of the options embedded in the convertible bonds issued by LeRoi subsequent to the balance sheet date.

FINANCIAL REVIEW

Liquidity, Capital Structure and Gearing

With a view to obtaining higher flexibility to capture investment opportunities which may arise at any time and require prompt investment decision by the Group, the Group raised additional funding through debt and equity financing and thus was able to consistently maintain sufficient working capital. As at 31 March 2008, the Group’s total borrowings, comprising bank borrowings and overdrafts, amounted to HK\$48.3 million (2007: HK\$59.2 million). Net cash balance reached HK\$100.0 million (2007: HK\$236.6 million).

The gearing ratio, defined as the ratio of total borrowings to equity attributable to equity holders, was approximately 5.4% (2007: 9.0%).

Fund Raising Activities

With a view to light enlarging the Company's shareholder base and strengthening the financial position of the Company for the expansion of the Group's retail network in the PRC and Hong Kong and for potential acquisitions and general working capital purposes, the Company entered into placing agreements on 11 June 2007 and raised net proceeds of approximately HK\$370 million through a top-up placing of 279 million shares to independent investors at the price of HK\$0.46 per share and the placing of convertible notes (the "Notes") with an aggregate principal amount of HK\$250 million (as detailed in the Company's announcement dated 11 June 2007), which were fully completed on 14 August 2007.

On 11 March 2008 and 13 June 2008, the Company redeemed certain of the Notes with an aggregate principal amount of HK\$202 million at a discount of 2.5% of the face value. The redemptions were financed by the Company's internal resources. As at the date of this announcement, there was outstanding HK\$48 million of the Notes.

Subsequent to the balance sheet date, on 7 May 2008, the Group entered into a further top-up placing and subscription arrangement with a placing agent to place approximately 335 million shares of the Company to independent investors at a price of HK\$0.165 per share which was fully completed on 19 May 2008. The net proceeds of approximately HK\$53.3 million were intended to be applied for repayment of interest-bearing loans, the expansion of retail network in the PRC and Hong Kong and the general working capital of the Group.

Foreign Exchange

The Board is of the opinion that the Group had 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, Singapore and Renminbi dollars, matched the currency requirement of the Group's operating expenses. The Group did not engage in any hedging contracts.

EMPLOYEES

At the balance sheet date, the Group employed 638 employees, of which approximately 71% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$87.5 million. The Group ensures 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.

PROSPECTS

The Group sees stable growth in the market for Chinese pharmaceutical products in Hong Kong and more market growth in mainland China market. The Group will accelerate the expansion of retail outlets based on the business platform established over the last two years.

As for the Western pharmaceutical products, the Group will continue to strengthen our Madame Pearl's brand position as the "Respiratory Specialist". New business opportunities will be sought to optimise the utilisation of our strong distribution network in Hong Kong and the PRC.

In the field of Chinese health food business, the Group continues to enjoy the leadership position, and has also been the single largest bottled bird's nest contract manufacturer in Singapore for many years. The Group is aggressively looking for strategic partners to help us expand into mainland China and overseas Chinese communities.

The Group considers that it is essential to continue to focus on the reinforcement of brand positioning, continuing product development, expanding distribution network and upholding of quality management so as to achieve sustainable growth in our business and profitability. In addition, the Group keeps actively looking for acquisition targets that have synergy to our existing businesses.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the financial year under review. Detailed information on the Company's corporate governance practices is set out in corporate governance report to be included in the Company's 2008 Annual Report.

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") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 financial year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with management and the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the financial statements and reports for the year ended 31 March 2008. The Audit Committee comprises Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive directors of the Company and Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the shareholders of the Company will be held at Ballroom East, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 27 August 2008 at 10:45 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wyth.net). The 2008 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders 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, 15 July 2008

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

* For identification purpose only