

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2009

The board of directors (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2009, together with the comparative figures for the previous financial year, as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	3	496,151	477,021
Cost of sales		(267,478)	(255,612)
Gross profit		228,673	221,409
Other income	5	16,602	25,478
Selling and distribution expenses		(153,494)	(150,326)
Administrative expenses		(97,788)	(88,685)
Finance costs	6	(6,036)	(13,056)
Change in fair value of options embedded in an unlisted note		(252,827)	264,807
Change in fair value of investments held-for-trading		(11,618)	1,460
Change in fair value of derivative financial instruments		–	(832)
Discount on acquisition of a subsidiary		691	12,324
Impairment losses recognised in respect of goodwill		(10,382)	(180,859)
Share of results of associates		(62,221)	(14,294)
Gain on disposal of a subsidiary		2,636	–
Gain on deemed disposal of partial interest in an associate		–	8,360
(Loss) profit before taxation	7	(345,764)	85,786
Income tax expense	8	(178)	(2,404)
(Loss) profit for the year		<u>(345,942)</u>	<u>83,382</u>
Attributable to:			
Equity holders of the Company		(345,906)	83,767
Minority interests		(36)	(385)
		<u>(345,942)</u>	<u>83,382</u>
(Loss) earnings per share	9		
– Basic and diluted		<u>(17.59 cents)</u>	<u>5.21 cents</u>

# For identification purpose only

## CONSOLIDATED BALANCE SHEET

At 31 March 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>58,406</b>	56,314
Prepaid lease payments		<b>93,562</b>	96,277
Goodwill		<b>15,335</b>	25,271
Interests in associates		<b>148,058</b>	209,043
Derivative financial instruments		<b>35,648</b>	288,475
Other intangible assets		<b>3,749</b>	4,604
Investments in unlisted notes		<b>172,682</b>	168,363
Prepayment for acquisition of interest in an associate		–	1,200
Deposit for acquisition of property, plant and equipment		–	910
Deferred tax assets		<b>378</b>	378
		<b>527,818</b>	850,835
<b>CURRENT ASSETS</b>			
Inventories		<b>80,751</b>	97,277
Trade and other receivables	<i>10</i>	<b>75,393</b>	80,333
Prepaid lease payments		<b>2,774</b>	2,762
Amounts due from associates		<b>3,385</b>	5,280
Tax recoverable		<b>2,014</b>	309
Investments in unlisted notes		–	3,889
Investments held-for-trading		<b>3,889</b>	16,644
Pledged bank deposits		–	1,599
Bank balances and cash		<b>57,096</b>	100,019
		<b>225,302</b>	308,112
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>60,214</b>	69,916
Tax payable		<b>1,360</b>	2,289
Obligations under finance leases		<b>9</b>	13
Bank borrowings		<b>16,202</b>	12,948
Derivative financial instruments		–	832
Deferred franchise income		<b>98</b>	113
Convertible loan stock		–	8
Loan from a shareholder		<b>25,000</b>	–
Advances from minority shareholders of a subsidiary		<b>3,396</b>	3,030
		<b>106,279</b>	89,149
<b>NET CURRENT ASSETS</b>		<b>119,023</b>	218,963
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>646,841</b>	1,069,798
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		–	9
Convertible loan note		–	138,022
Bank borrowings		<b>47,182</b>	35,385
Deferred tax liabilities		<b>110</b>	1,115
		<b>47,292</b>	174,531
<b>NET ASSETS</b>		<b>599,549</b>	895,267
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>20,104</b>	16,754
Reserves		<b>572,632</b>	872,247
Equity attributable to equity holders of the Company		<b>592,736</b>	889,001
Minority interests		<b>6,813</b>	6,266
<b>TOTAL EQUITY</b>		<b>599,549</b>	895,267

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>7</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>5</sup> Effective for annual periods ending on or after 30 June 2009

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>7</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>8</sup> Effective for transfers on or after 1 July 2009

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

## 3. REVENUE

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Sales of goods	<b>494,852</b>	472,564
Management and promotion fees	<b>1,299</b>	4,457
	<b>496,151</b>	477,021

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### 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 results and segment assets and liabilities by business segments is presented as follows:

## CONSOLIDATED INCOME STATEMENT

	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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
REVENUE										
External sales	333,627	335,532	126,744	96,701	35,780	44,788	-	-	496,151	477,021
Inter segment sales *	2,640	2,884	-	76	20,996	24,752	(23,636)	(27,712)	-	-
	<u>336,267</u>	<u>338,416</u>	<u>126,744</u>	<u>96,777</u>	<u>56,776</u>	<u>69,540</u>	<u>(23,636)</u>	<u>(27,712)</u>	<u>496,151</u>	<u>477,021</u>
RESULTS										
Results, excluding impairment loss recognised in respect of goodwill	(12,694)	272	12,372	2,666	2,144	5,539			1,822	8,477
Impairment losses recognised in respect of goodwill	(4,717)	(80,707)	(5,665)	(95,802)	-	(4,350)			(10,382)	(180,859)
Segment results	<u>(17,411)</u>	<u>(80,435)</u>	<u>6,707</u>	<u>(93,136)</u>	<u>2,144</u>	<u>1,189</u>			<u>(8,560)</u>	<u>(172,382)</u>
Other income									16,602	25,478
Unallocated corporate expenses									(24,431)	(26,079)
Finance costs									(6,036)	(13,056)
Discount on acquisition of a subsidiary									691	12,324
Change in fair value of investments held-for-trading									(11,618)	1,460
Change in fair value of options embedded in an unlisted note									(252,827)	264,807
Share of results of associates									(62,221)	(14,294)
Gain on disposal of a subsidiary									2,636	-
Gain on deemed disposal of partial interest in an associate									-	8,360
Change in fair value of derivative financial instruments									-	(832)
(Loss) profit before taxation									(345,764)	85,786
Income tax expense									(178)	(2,404)
(Loss) profit for the year									<u>(345,942)</u>	<u>83,382</u>

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

## CONSOLIDATED BALANCE SHEET

	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		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES										
ASSETS										
Assets excluding goodwill	213,930	250,414	69,565	60,397	20,232	22,330			303,727	333,141
Goodwill	7,700	11,971	7,635	13,300	-	-			15,335	25,271
Segment assets	<u>221,630</u>	<u>262,385</u>	<u>77,200</u>	<u>73,697</u>	<u>20,232</u>	<u>22,330</u>			<u>319,062</u>	<u>358,412</u>
Interests in associates									148,058	209,043
Unallocated corporate assets									<u>286,000</u>	<u>591,492</u>
Consolidated total assets									<u>753,120</u>	<u>1,158,947</u>
LIABILITIES										
Segment liabilities	36,164	40,605	12,085	14,607	5,418	6,720			53,667	61,932
Unallocated corporate liabilities									<u>99,904</u>	<u>201,748</u>
Consolidated total liabilities									<u>153,571</u>	<u>263,680</u>
OTHER INFORMATION										
Capital expenditure	4,896	7,665	3,479	874	4,612	501	5,058	1,886	18,045	10,926
Capital expenditure through acquisition of subsidiaries	742	174	-	25,782	-	-	-	-	742	25,956
Depreciation of property, plant and equipment	10,952	11,629	3,339	1,559	911	673	1,785	1,105	16,987	14,966
Amortisation of other intangible assets	170	159	760	250	-	-	-	-	930	409
Allowance for (reversal of) trade and other receivables	12,947	2,763	(498)	3,522	(534)	548	-	-	11,915	6,833
(Reversal of) allowance for obsolete inventories	<u>(399)</u>	<u>1,865</u>	<u>(245)</u>	<u>421</u>	<u>(584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,228)</u>	<u>2,286</u>

## Geographical segments

The Group's operations 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:

	Revenue from External Customers	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	334,570	344,557
The PRC, other than Hong Kong	115,296	75,316
Singapore	27,586	31,744
Others	18,699	25,404
	<u>496,151</u>	<u>477,021</u>

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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	240,117	278,072	4,896	7,840
The PRC, other than Hong Kong	57,046	59,484	4,221	26,641
Singapore	18,026	14,482	4,612	501
Others	3,873	6,374	–	14
	<u>319,062</u>	<u>358,412</u>	<u>13,729</u>	<u>34,996</u>

## 5. OTHER INCOME

	2009 HK\$'000	2008 HK\$'000
Effective interest income on investment in an unlisted note due from an associate	10,019	4,872
Rental income	2,477	1,981
Sundry income	1,458	3,163
Processing fee income	908	1,071
Dividends from investments held-for-trading	650	–
Interest income on bank deposits	482	10,810
Exchange gain, net	282	407
Interest income on investment in unlisted notes from financial institutions	145	239
Franchise income	115	212
Interest income from loans to an associate	66	778
Gain on disposal of investments in unlisted notes	–	1,945
	<u>16,602</u>	<u>25,478</u>

## 6. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on:		
Effective interest expense on convertible loan note	2,628	10,041
Bank borrowings wholly repayable within five years	1,643	744
Bank borrowings not wholly repayable within five years	1,094	2,201
Loan from a shareholder	456	–
Advances from minority shareholders of a subsidiary	196	65
Others	17	–
Obligations under finance leases	2	4
Convertible loan stock	–	1
	<u>6,036</u>	<u>13,056</u>

## 7. (LOSS) PROFIT BEFORE TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	4,059	3,818
Other staff costs		
– Salaries and other benefits	82,493	82,742
– Share-based payments excluding directors	706	237
– Retirement benefit scheme contributions other than directors	6,327	4,731
	<u>93,585</u>	<u>91,528</u>
Total staff costs		
Allowance for trade and other receivables	11,915	6,833
(Reversal of) allowance for obsolete inventories ( <i>Note</i> )	(1,228)	2,286
Amortisation of other intangible assets, included in selling and distribution expenses	930	409
Auditor's remuneration	2,346	2,374
Depreciation of property, plant and equipment	16,987	14,966
Loss on disposal of property, plant and equipment	58	63
Amortisation of prepaid lease payments	2,774	2,612
Management fee paid to a shareholder	996	996
Research and development expenses	1,441	1,353
Cost of inventories recognised as an expense	<u>267,478</u>	<u>255,612</u>

*Note:* Reversal of allowance for obsolete inventories as such inventories are sold during the year.



## 8. INCOME TAX EXPENSE

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	<b>1,499</b>	2,580
Other jurisdictions	<b>384</b>	1,038
	<b>1,883</b>	3,618
Overprovision in prior years		
Hong Kong	<b>(705)</b>	(3)
Deferred taxation		
Current year	<b>(960)</b>	(1,211)
Attributable to a change in tax rate	<b>(40)</b>	–
	<b>178</b>	2,404

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Singapore Income Tax is calculated at 17% (2008: 18%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax (“EIT”) rate of one of the Group’s subsidiary established in the PRC was reduced to 25% from 1 January 2008 onwards. In addition, the EIT rate of two of the Group’s subsidiaries established in the PRC increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group’s subsidiaries in the PRC range from 18% to 25% (2008: 33% and was reduced to 25% from 1 January 2008 onwards).

A subsidiary is exempted from the PRC income tax for profits incurred for the year ended 31 December 2008, followed by a 50% reduction for profits incurred between 1 January 2009 to 31 December 2011 as approved by the PRC tax bureau.

No provision for the PRC income tax has been made in the consolidated financial statements since the subsidiaries in the PRC are either exempted from the PRC income tax or no assessable profits during the year.

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

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss) profit before taxation	<b>(345,764)</b>	<u>85,786</u>
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	<b>(57,051)</b>	15,013
Tax effect of share of results of associates	<b>10,266</b>	2,501
Tax effect of expenses not deductible for tax purpose	<b>47,210</b>	35,855
Tax effect of income not taxable for tax purpose	<b>(2,612)</b>	(53,194)
Tax effect of tax losses not recognised	<b>2,631</b>	3,700
Overprovision in prior years	<b>(705)</b>	(3)
Utilisation of tax losses not recognised	<b>(76)</b>	(1,193)
Tax effect of deductible temporary differences not recognised	<b>1,441</b>	–
Effect of tax exemption granted to a PRC subsidiary	<b>(349)</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(709)</b>	(518)
Effect of change in tax rate	<b>(40)</b>	–
Others	<b>172</b>	243
Tax charge for the year	<b>178</b>	<u>2,404</u>

## 9. (LOSS) EARNINGS PER SHARE

For the year ended 31 March 2009, the calculation of the basic and diluted (loss) earnings per share is based on the following data:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss) profit for the year attributable to the equity holders of the Company for the purpose of basic (loss) earnings per share	<b>(345,906)</b>	<u>83,767</u>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>1,966,296,367</b>	<u>1,607,503,426</u>

The computations of diluted (loss) earnings per share for the year ended 31 March 2009 and 2008 do 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 Stock Exchange of Hong Kong Limited nor the conversion of the outstanding convertible loan stock and convertible loan note of the Company, since the exercise of which would result in a decrease in loss per share for the year ended 31 March 2009 and an increase in earnings per share for the year ended 31 March 2008.

## 10. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	60,130	53,988
Less: accumulated impairment	<u>(16,792)</u>	<u>(7,821)</u>
	<u>43,338</u>	<u>46,167</u>
Deposits, prepayments and other receivables	35,055	34,166
Less: accumulated impairment	<u>(3,000)</u>	<u>—</u>
	<u>32,055</u>	<u>34,166</u>
Total trade and other receivables	<u><b>75,393</b></u>	<u><b>80,333</b></u>

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	18,650	17,787
31 – 60 days	14,844	5,232
61 – 120 days	7,415	17,187
Over 120 days	<u>2,429</u>	<u>5,961</u>
	<u><b>43,338</b></u>	<u><b>46,167</b></u>

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$25,762,000 (2008: HK\$26,684,000) and their aged analysis is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	12,610	11,512
31 – 60 days	9,704	12,134
61 – 120 days	1,766	1,126
Over 120 days	<u>1,682</u>	<u>1,912</u>
	<u>25,762</u>	<u>26,684</u>
Other payables	<u>34,452</u>	<u>43,232</u>
	<u><b>60,214</b></u>	<u><b>69,916</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

For the financial year ended 31 March 2009, the Group's turnover and loss attributable to equity holders amounted to approximately HK\$496.2 million (2008: approximately HK\$477.0 million) and approximately HK\$345.9 million (2008: profit of approximately HK\$83.8 million), respectively. The loss was mainly attributable to the decrease in fair value of the embedded options of the unlisted convertible note issued by an associate, LeRoi Holdings Limited ("LeRoi"), on 5 October 2007 with an aggregate amount of HK\$190.0 million and the share of a loss reported by LeRoi. Basic loss per share was approximately HK17.59 cents (2008: basic earnings per share of approximately HK5.21 cents).

### **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the financial year ended 31 March 2009 (2008: Nil). No interim dividend was paid during the year (2008: Nil).

### **BUSINESS REVIEW**

The financial tsunami that swept through the world in the second half of 2008 has led to a flagging global economy and sluggish consumer demand. As a result, the Group's major operating divisions of Chinese pharmaceutical products and Chinese health food products were negatively affected.

#### **Chinese Pharmaceutical Products**

Turnover for the year decreased by approximately 0.6% from approximately HK\$335.5 million to approximately HK\$333.6 million. Despite the challenging business conditions, the Group continued to place efforts in marketing and brand reinforcement activities which were aimed at driving sales and raising public awareness of the brand "Wai Yuen Tong". The Group also extended its retail outlets to the PRC. Amidst the economic downturn, it became even more important to strengthen operating cost control. During the year under review, the Group strove to control and lower operating costs through various measures such as staff rationalisation and negotiation with landlords for lower rentals.

#### **Western Pharmaceutical Products**

Turnover of the Western pharmaceutical and health food products businesses grew approximately 31.0% from approximately HK\$96.7 million to approximately HK\$126.7 million. The increase of approximately HK\$15.2 million came from the sales of cough syrup and the successful launch of new products such as Madame Pearl's Breatheasy Patch in September 2008. With a series of rebranding activities launched in Hong Kong, the brand position of "Madame Pearl's" as the "Respiratory Specialist" was strengthened. Additional turnover of approximately HK\$14.8 million was attributable to the increase in turnover of Hunan Xiangya Pharmaceutical Company Limited, a subsidiary acquired in November 2007 from approximately HK\$8.6 million in 2008 to approximately HK\$23.4 million in 2009.

## **Chinese Health Food Products**

The Group's business of manufacture of Chinese health food was operated through the production arm of CNT Health Food Pte Limited ("CNT") in Singapore. The drop in revenue for the year under review by approximately 20.1% from approximately HK\$44.8 million to approximately HK\$35.8 million was mainly due to lower consumption brought on by the global financial crisis. Besides the existing bottled birds' nest drinks and herbal essence products, the Group is exploring its product diversification and has co-operated with a strategic partner to expand its business into mainland China and overseas Chinese communities.

## **Investment in LeRoi**

The Group has diversified its investment portfolio by making an investment in LeRoi, a company listed on the Stock Exchange, which is currently engaged in the sale of fresh pork meat and related products and property development in the PRC. The Group has also subscribed an unlisted convertible note with a principal amount of HK\$190.0 million which is convertible into 1,583,333,333 shares of LeRoi at an initial conversion price of HK\$0.12 per share (subject to adjustment). As at the date of this announcement, the Company held 29.97% equity interest in LeRoi.

## **FINANCIAL REVIEW**

### **Fund Raising, Liquidity, Capital Structure and Gearing**

#### *(1) Top-up Placing*

On 7 May 2008, the Company entered into a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, approximately 335 million shares to independent investors at a price of HK\$0.165 per share. Completion of the transaction took place on 19 May 2008 and net proceeds of approximately HK\$53.3 million were raised and utilised for the expansion of our retail network in Hong Kong and the PRC, the repayment of interest-bearing loans and general working capital of the Group.

#### *(2) Top-up Placing and Placing of New Shares*

On 11 May 2009, the Company entered into (i) a top-up placing and subscription agreement with a placing agent and the substantial shareholder of the Company to place, on a best effort basis, 165 million shares to independent investors at a price of HK\$0.088 per share; and (ii) a new placing agreement with the placing agent to place, on a best effort basis, 237 million shares to independent investors at a price of HK\$0.088 per share. Aggregate net proceeds of approximately HK\$33.6 million were raised for repayment of interest-bearing debts and general working capital of the Group. The aforesaid transactions were completed on 21 May 2009 and 26 May 2009, respectively.

#### *(3) Redemption of Convertible Loan Note*

On 13 June 2008 and 18 September 2008, the Group redeemed all outstanding convertible loan note with an aggregate principal amount of HK\$149.0 million at a discount of 2.5% to their face value. These redemptions were financed by the Group's internal resources.

#### *(4) Loan Arrangements from the Substantial Shareholder*

On 5 September 2008 and 2 October 2008, the substantial shareholder of the Company advanced loans in an aggregate principal amount of HK\$10.0 million to the Company, which had been repaid subsequent to the balance sheet date. On 3 November 2008, it made available to the Company further loan facility of HK\$30.0 million, out of which HK\$25.0 million was drawn down and HK\$10.0 million had been repaid as at 31 March 2009. The outstanding HK\$15.0 million is to be repaid by the Company within one year from the date of drawdown. The loans and the loan facility carried an interest at the Hong Kong prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited.

As at 31 March 2009, the Group's total borrowings amounted to approximately HK\$91.8 million (2008: approximately HK\$189.3 million) which included bank borrowings of approximately HK\$63.4 million (2008: approximately HK\$48.3 million), loan from a shareholder of HK\$25.0 million (2008: Nil), advances from minority shareholders of a subsidiary of approximately HK\$3.4 million (2008: approximately HK\$3.0 million) and convertible loan note of nil (2008: HK\$138.0 million). The gearing ratio, being the ratio of total borrowings to equity attributable to equity holders, was approximately 15.5% (2008: approximately 21.3%).

#### **Foreign Exchange**

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

#### **EMPLOYEES**

At the balance sheet date, the Group had 704 employees, of whom approximately 57% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$89.5 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 has a share option scheme for the benefit of its employees.

#### **PROSPECTS**

As a result of the slowdown in the global and local economies which have caused significant instability in the property and stock markets, the Group has adopted a more prudent approach over its expansion program in Chinese pharmaceutical business and taken various measures to control and lower operating costs.

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

With respect to the Chinese health food business, the Group continues to explore product diversification and expand its business into mainland China and overseas Chinese communities.

The Group will continue to focus on the reinforcement of its brand positioning, continuing product development, expanding distribution network and upholding of quality management in order to achieve sustainable growth and profitability.

Even though the economic conditions in 2009 will remain challenging, the Group is cautiously optimistic about its prospects.

## **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 under review.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company had 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 ended 31 March 2009. Further details of the Company's corporate governance practices are set out in corporate governance report to be contained in the Company's 2009 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 consolidated financial statements and reports for the year ended 31 March 2009. 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 2009 annual general meeting of the shareholders of the Company will be held at Garden Rooms A & B, 2/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 26 August 2009 at 11:00 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 Rule in due course.

## **PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT**

This final results announcement is published on the websites of the Stock Exchange at (<http://www.hkex.com.hk>) and the Company at (<http://www.wyth.net>). The 2009 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, 22 July 2009

*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*