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## WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司\*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

#### INTERIM RESULTS

The board of directors (the “**Board**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2010, together with the comparative figures for the corresponding period in 2009. These interim condensed consolidated financial statements were not audited, but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	For the six months ended 30 September	
		2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000
<b>REVENUE</b>	3	<b>266,118</b>	229,199
Cost of sales		<u>(148,582)</u>	<u>(121,118)</u>
Gross profit		<b>117,536</b>	108,081
Other income	4	<b>12,098</b>	8,156
Selling and distribution expenses		<b>(82,099)</b>	(74,321)
Administrative expenses		<b>(45,138)</b>	(38,958)
Finance costs	5	<b>(418)</b>	(1,512)
Change in fair value of options embedded in an unlisted note		—	(12,242)
Change in fair value of investments held-for-trading		<b>(6,010)</b>	1,599
Change in fair value of investment properties		<b>23,651</b>	—
Impairment loss recognised in respect of goodwill		—	(237)
Share of results of associates		<b>5,560</b>	(15,586)
Gain on disposal of a subsidiary		<u><b>29,155</b></u>	<u>—</u>

\* For identification purpose only

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>PROFIT (LOSS) BEFORE TAXATION</b>	6	<b>54,335</b>	(25,020)
Income tax expense	7	<u>(7,585)</u>	<u>(1,474)</u>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<u><b>46,750</b></u>	<u>(26,494)</u>
<b>Other comprehensive income (expense)</b>			
Exchange differences on translation of foreign operations arising during the period		352	—
Gain on revaluation on transfer of property from property, plant and equipment to investment properties		23,392	—
Reclassification adjustment on disposal of a subsidiary		(890)	—
Share of other comprehensive income of an associate		<u>(4,964)</u>	<u>378</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<u><b>17,890</b></u>	<u>378</u>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX</b>		<u><b>64,640</b></u>	<u>(26,116)</u>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		41,044	(26,049)
Minority interests		<u>5,706</u>	<u>(445)</u>
		<u><b>46,750</b></u>	<u>(26,494)</u>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:</b>			
Owners of the Company		59,321	(25,671)
Minority interests		<u>5,319</u>	<u>(445)</u>
		<u><b>64,640</b></u>	<u>(26,116)</u>
<b>EARNINGS (LOSS) PER SHARE</b>	8		
Basic and diluted (Cents)		<u><b>7.07</b></u>	<u>(6.79)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	<i>Notes</i>	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		180,000	—
Property, plant and equipment		25,588	119,671
Goodwill		15,335	15,335
Interests in associates		609,442	608,966
Other intangible assets		750	839
Investment in an unlisted note		15,985	—
Loans to an associate		208,937	204,307
Deferred tax assets		<u>3,291</u>	<u>3,291</u>
		<b><u>1,059,328</u></b>	<b><u>952,409</u></b>
<b>CURRENT ASSETS</b>			
Inventories		93,692	71,105
Trade and other receivables	9	102,993	68,963
Loan to an associate		10,960	—
Amounts due from associates		2,767	1,668
Investments held-for-trading		17,329	25,449
Tax recoverable		232	232
Bank balances and cash		<u>78,318</u>	<u>78,259</u>
		<b>306,291</b>	245,676
Assets classified as held for sale		<u>—</u>	<u>38,816</u>
		<b><u>306,291</u></b>	<b><u>284,492</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	81,223	62,661
Bank borrowings		9,600	11,953
Deferred franchise income		33	18
Deposit received for disposal of a subsidiary		—	5,000
Tax payable		<u>6,339</u>	<u>4,439</u>
		<b>97,195</b>	84,071
Liabilities associated with assets classified as held for sale		<u>—</u>	<u>11,013</u>
		<b><u>97,195</u></b>	<b><u>95,084</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>209,096</u></b>	<b><u>189,408</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>1,268,424</u></b>	<b><u>1,141,817</u></b>

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	31,700	36,500
Deferred tax liabilities	<u>8,779</u>	<u>248</u>
	<u>40,479</u>	<u>36,748</u>
<b>NET ASSETS</b>	<u><u>1,227,945</u></u>	<u><u>1,105,069</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	72,719	60,719
Reserves	<u>1,147,590</u>	<u>1,038,269</u>
<b>Equity attributable to owners of the Company</b>	<b>1,220,309</b>	1,098,988
Minority interests	<u>7,636</u>	<u>6,081</u>
<b>TOTAL EQUITY</b>	<u><u>1,227,945</u></u>	<u><u>1,105,069</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

The accounting policies used in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, and in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) (which included all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by HKICPA.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised HKFRSs had no material effect on the unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the unaudited interim condensed consolidated financial statements, except as described below:

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

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 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>2</sup>
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010.

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 condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Sales of goods	264,157	228,647
Rental income	1,471	—
Management and promotion fees	490	552
	<u>266,118</u>	<u>229,199</u>

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. For management purposes, the Group operates in four business units and has four operating segments. Each of the Group's reportable operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other reportable operating segments. The Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the People's Republic of China (the “PRC”) and Hong Kong;
- (ii) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical and health food products under the brand name of “Madame Pearl's” and “Pearl's”;
- (iii) production and sale of bottled birds' nest drinks and herbal essence products — processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products; and
- (iv) property investment — investment in commercial premises for rental income.

The following is an analysis of the Group's revenue and result by operating segment for the period under review:

**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		Property investment		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>												
External sales	198,541	160,265	50,456	59,689	15,650	9,245	1,471	—	—	—	266,118	229,199
Inter segment sales*	543	1,320	56	—	21,714	8,022	—	—	(22,313)	(9,342)	—	—
	<b>199,084</b>	<b>161,585</b>	<b>50,512</b>	<b>59,689</b>	<b>37,364</b>	<b>17,267</b>	<b>1,471</b>	<b>—</b>	<b>(22,313)</b>	<b>(9,342)</b>	<b>266,118</b>	<b>229,199</b>
<b>RESULTS</b>												
Results, excluding impairment loss recognised in respect of goodwill	12,119	6,011	(2,501)	3,242	(652)	(2,053)	1,128	—	—	—	10,094	7,200
Impairment loss recognised in respect of goodwill	—	(237)	—	—	—	—	—	—	—	—	—	(237)
Segment results	<b>12,119</b>	<b>5,774</b>	<b>(2,501)</b>	<b>3,242</b>	<b>(652)</b>	<b>(2,053)</b>	<b>1,128</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,094</b>	<b>6,963</b>
Other income											12,098	8,156
Unallocated expenses											(19,795)	(12,398)
Finance costs											(418)	(1,512)
Gain on disposal of a subsidiary											29,155	—
Change in fair value of investment properties											23,651	—
Change in fair value of investments held-for-trading											(6,010)	1,599
Change in fair value of options embedded in an unlisted note											—	(12,242)
Share of results of associates											5,560	(15,586)
Profit (loss) before taxation											54,335	(25,020)
Income tax expense											(7,585)	(1,474)
Profit (loss) for the period											<b>46,750</b>	<b>(26,494)</b>

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



#### 4. OTHER INCOME

	For the six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on loans to an associate	8,190	160
Rental income	1,443	1,465
Interest income on investment in an unlisted note	713	—
Processing fee income	705	533
Sundry income	557	502
Dividends from investments held-for-trading	179	224
Recognition of deferred income on disposal of a subsidiary	150	150
Exchange gain, net	142	—
Interest income on bank deposits	10	15
Gain on disposal of property, plant and equipment	9	—
Interest income on investment in an unlisted note due from an associate	—	5,107
	<u>12,098</u>	<u>8,156</u>

#### 5. FINANCE COSTS

	For the six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	418	899
Loans from a shareholder	—	490
Advances from minority shareholders of a subsidiary	—	114
Others	—	9
	<u>418</u>	<u>1,512</u>

## 6. PROFIT (LOSS) BEFORE TAXATION

**For the six months ended**  
**30 September**  
**2010**                      2009  
**(Unaudited)**              (Unaudited)  
**HK\$'000**                      HK\$'000

Profit (loss) before taxation has been arrived at after charging (crediting):

Recognition (reversal) of allowance for trade and other receivables	<b>10,044</b>	(112)
Reversal of allowance for obsolete inventories	<b>(92)</b>	(189)
Amortisation of other intangible assets, included in selling and distribution expenses	<b>89</b>	467
Depreciation of property, plant and equipment	<b>4,959</b>	9,322
Management fee paid to a shareholder	<b>48</b>	48
	<b><u>48</u></b>	<b><u>48</u></b>

## 7. INCOME TAX EXPENSE

**For the six months ended**  
**30 September**  
**2010**                      2009  
**(Unaudited)**              (Unaudited)  
**HK\$'000**                      HK\$'000

The charge comprises:

Current tax		
Hong Kong Profits Tax	<b>1,914</b>	1,360
Other jurisdictions	<b>1,769</b>	195
	<b>3,683</b>	1,555
Overprovision in prior years		
Other jurisdictions	—	(81)
Deferred taxation		
Current year	<b>3,902</b>	—
	<b><u>7,585</u></b>	<b><u>1,474</u></b>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of 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 (loss) per share is based on the following data:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<b><u>41,044</u></b>	<u>(26,049)</u>
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>2010</b>	2009
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<b><u>580,308,559</u></b>	<u>383,769,012</u>

The computations of the diluted earnings (loss) per share for the six months ended 30 September 2010 and 2009 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 since their assumed exercise would result in an increase in earnings per share (2009: decrease in loss per share).

The weighted average number of ordinary shares for the purposes of calculation of the basic and diluted earnings (loss) per share for the six months ended 30 September 2010 and 2009 have been retrospectively adjusted for the capital reorganisation and bonus issue of shares taken place on 21 September 2010 and 27 October 2010, respectively.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade receivables	71,888	61,777
Less: accumulated impairment	<u>(16,552)</u>	<u>(16,690)</u>
	55,336	45,087
Less: Amounts classified as assets held for sale	<u>—</u>	<u>(3,315)</u>
	<u>55,336</u>	<u>41,772</u>
Deposits, prepayments and other receivables	60,657	31,343
Less: accumulated impairment	<u>(13,000)</u>	<u>(3,000)</u>
	47,657	28,343
Less: Amounts classified as assets held for sale	<u>—</u>	<u>(1,152)</u>
	<u>47,657</u>	<u>27,191</u>
Total trade and other receivables	<u><b>102,993</b></u>	<u><b>68,963</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) presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sales:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
0–30 days	28,351	19,472
31–60 days	15,434	12,148
61–120 days	9,915	9,993
Over 120 days	<u>1,636</u>	<u>3,474</u>
	<u><b>55,336</b></u>	<u><b>45,087</b></u>

## 10. TRADE AND OTHER PAYABLES

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade payables	<b>43,013</b>	27,963
Other payables	<b>38,210</b>	42,226
	<b>81,223</b>	70,189
Less: Amounts classified as liabilities associated with assets classified as held for sale	<u>—</u>	<u>(7,528)</u>
	<b><u>81,223</u></b>	<b><u>62,661</u></b>

The aged analysis of trade payables presented based on the invoice date is as follows. The analysis includes those classified as part of a disposal group held for sale:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
0–30 days	<b>24,835</b>	16,589
31–60 days	<b>16,353</b>	8,681
61–120 days	<b>551</b>	1,754
Over 120 days	<b>1,274</b>	939
	<b><u>43,013</u></b>	<b><u>27,963</u></b>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six-month period ended 30 September 2010, the Group recorded a turnover and profit attributable to owners of the Company of approximately HK\$266.1 million (2009: approximately HK\$229.2 million) and approximately HK\$41.0 million (2009: loss of approximately HK\$26.0 million), respectively.

#### **(1) *Chinese Pharmaceutical Products***

With a strong foundation in the traditional Chinese medicine and health food products industry, turnover for the period under review increased by approximately 23.8% from approximately HK\$160.3 million for the same period last year to approximately HK\$198.5 million. The incentive scheme for staff, a series of marketing campaigns and the number of Mainland Chinese tourists visiting Hong Kong resulted in better same store sales growth and a generally better performing retail business. The increase in sales coupled with cost control made a contribution of approximately HK\$12.1 million to the Group as compared with approximately HK\$5.8 million for the same period last year.

#### **(2) *Western Pharmaceutical Products***

Turnover decreased by approximately 15.4% from approximately HK\$59.7 million to approximately HK\$50.5 million. In April 2010, the Group disposed of its 64.2% equity interest in Hunan Xiangya Pharmaceutical Company Limited (“**Hunan Xiangya**”) for a cash consideration of approximately HK\$37.4 million and it resulted in the drop in sales of approximately HK\$9.2 million. Besides the traditional cough syrup products, the Group has diversified its products portfolio, such as by adding personal care products, which has had synergetic effects on its business as a whole.

#### **(3) *Bottled Birds’ Nest Drinks Products***

Turnover for the period under review increased by approximately 70.7% from approximately HK\$9.2 million to approximately HK\$15.7 million. Besides the existing products, the Group is exploring the possibility of diversifying its product range and expanding the distribution of its products to more overseas communities.

#### **(4) *Investment Properties***

The Group leased out some of its properties for commercial purpose. During the period under review, the Group acquired a property located in Kwun Tong, Kowloon at a cash consideration of HK\$34.5 million as management believes in the long term prospect of commercial properties in Hong Kong and considers that the property acquisition will strengthen the Group's income base.

#### **(5) *Investment in PNG Resources Holdings Limited ("PNG") (formerly known as LeRoi Holdings Limited)***

PNG, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), is principally engaged in forestry and logging operations in Papua New Guinea, property development in the PRC and retailing of the fresh pork meat and related products in Hong Kong. The Group shared the profit of PNG of approximately HK\$5.5 million for the period under review as compared to the share of loss of approximately HK\$15.5 million for the previous period.

### **FINANCIAL REVIEW**

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

##### **(1) *Placing of New Shares***

On 12 April 2010, the Company entered into a placing agreement with a placing agent to place, on a best efforts basis, up to 1,200 million shares to independent investors at a price of HK\$0.053 per share. The placing of new shares was completed on 22 April 2010 and 1,200 million shares were placed. Aggregate net proceeds of approximately HK\$61.8 million were raised which were intended to be applied towards the repayment of interest-bearing debts, expansion of the Group's Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises for use by the retail network) and general working capital requirements of the Group.

##### **(2) *Capital Reorganisation and Rights Issue***

On 5 August 2010, the Company proposed a capital reorganisation and rights issue (with bonus issue) whereby (i) every 25 shares of par value of HK\$0.01 each in the issued share capital of the Company would be consolidated into one consolidated share of par value of HK\$0.25; (ii) the par value of each of the issued consolidated shares would be reduced from HK\$0.25 to HK\$0.01; (iii) five rights shares were to be offered for every one consolidated share at HK\$0.207 per rights share; and (iv) one bonus share would be issued for every five rights shares taken up. The capital reorganisation and rights issue were completed on 21 September 2010 and 27 October 2010, respectively.

The net proceeds of the rights issue were approximately HK\$292.0 million and were intended to be used for (a) repayment of the Group's borrowings; (b) expansion of the Group's Chinese and Western health food and pharmaceutical business; (c) funding the acquisition of the entire issued share capital of five companies, which were indirect wholly-owned subsidiaries of Wang On Group Limited ("**Wang On**"), a shareholder of the Company whose shares are listed on the Main Board of the Stock Exchange, and which held five properties in Hong Kong; and (d) financing possible investment opportunities in the future and as general working capital. Details of these were set out in the announcement jointly issued by the Company and Wang On, the circular and the prospectus issued by the Company on 9 August 2010, 27 August 2010 and 6 October 2010, respectively. The acquisition of the entire share capital of the five companies was completed on 28 October 2010.

### (3) *Liquidity and Gearing*

As at 30 September 2010, the Group's total borrowings amounted to approximately HK\$41.3 million (31 March 2010: approximately HK\$51.9 million) which included bank borrowings of approximately HK\$41.3 million (31 March 2010: approximately HK\$48.6 million) and advances from minority shareholders of a subsidiary of HK\$ nil (31 March 2010: approximately HK\$3.3 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 3.4% (31 March 2010: approximately 4.7%).

## **MAJOR ACQUISITION**

On 6 August 2010, Guidepost Investments Limited ("**Guidepost**"), an indirect wholly-owned subsidiary of the Company, and East Run Investments Limited ("**East Run**"), an indirect wholly-owned subsidiary of Wang On, entered into a sale and purchase agreement, as supplemented by a deed executed between Wang On, East Run and Guidepost on 9 August 2010, pursuant to which, Guidepost agreed to acquire and East Run agreed to dispose of the entire issued share capital and the shareholder loans in its five subsidiaries, each of which is holding a property in Hong Kong, at an initial consideration of HK\$114.3 million. The consideration was satisfied in cash out of the proceeds from the aforesaid rights issue and such acquisition was completed on 28 October 2010.

## **FOREIGN EXCHANGE**

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

## **CAPITAL COMMITMENT**

As at 30 September 2010, the Group had no capital commitment (31 March 2010: approximately HK\$0.6 million) in respect of acquisition of plant and equipment, which were contracted for but not provided in the consolidated financial statements.



## **CONTINGENT LIABILITIES**

As at 30 September 2010 and 31 March 2010, the Group had no material contingent liabilities.

## **EMPLOYEES**

As at 30 September 2010, the Group had 629 (31 March 2010: 682) employees, of whom approximately 64% (31 March 2010: 56%) were located in Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing market rates. The Group also has a share option scheme for the employees' benefit.

## **PROSPECTS**

As the business environment in Hong Kong continues to improve, the directors are optimistic about the Group's prospects.

To enhance the competitiveness of its brands and its products, the Group will continue to expand its product range and strengthen quality control. The Group will also evaluate mergers and acquisitions as a means to speed up growth as well as diversification of its investment portfolio to strengthen its income base.

## **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 2010.

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

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2010.

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 condensed consolidated financial statements for the six months ended 30 September 2010 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Yuen Chi Choi, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou, and is chaired by Mr. Yuen Chi Choi.

## **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 as set out in the Model Code adopted by the Company throughout the period under review.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF 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](http://www.hkex.com.hk)). The 2010 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the abovementioned 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, 17 November 2010

*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*