

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012, together with the comparative figures for the corresponding period in 2011. 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 2012

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
Revenue	3	365,742	330,760
Cost of sales		(205,396)	(179,281)
Gross profit		160,346	151,479
Other income	4	16,183	16,817
Selling and distribution expenses		(114,479)	(98,041)
Administrative expenses		(46,526)	(38,932)
Finance costs	5	(1,251)	(987)
Change in fair value of investments held-for-trading		(11,174)	(57,649)
Change in fair value of investment properties		39,300	16,876
Gain on disposal of a subsidiary		661	–
Impairment losses recognised in respect of an associate		–	(95,026)
Share of results of associates		(4,988)	(22,401)
Profit (loss) before taxation	6	38,072	(127,864)
Income tax expense	7	(4,447)	(4,110)
Profit (loss) for the period		33,625	(131,974)

* For identification purpose only

		For the six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income (expense)			
Exchange differences on translation of foreign operations arising during the period		66	726
Share of other comprehensive (expense) income of an associate		<u>(2,723)</u>	<u>8,313</u>
Other comprehensive (expense) income for the period (net of tax)		<u>(2,657)</u>	<u>9,039</u>
Total comprehensive income (expense) for the period		<u>30,968</u>	<u>(122,935)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		33,683	(132,012)
Non-controlling interests		<u>(58)</u>	<u>38</u>
		<u>33,625</u>	<u>(131,974)</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		31,022	(123,014)
Non-controlling interests		<u>(54)</u>	<u>79</u>
		<u>30,968</u>	<u>(122,935)</u>
Earnings (loss) per share			
Basic and diluted (Cents)	8	<u>1.65</u>	<u>(6.48)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012	31 March 2012
	<i>Notes</i>	(Unaudited)	(Audited)
		<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		171,203	172,554
Investment properties		343,300	304,000
Goodwill		15,335	15,335
Interests in associates		364,760	372,471
Other intangible assets		630	732
Loans receivable		279,821	221,341
Deferred tax assets		3,696	3,696
		1,178,745	1,090,129
CURRENT ASSETS			
Inventories		160,754	112,760
Trade and other receivables	9	127,754	140,334
Amounts due from associates		2,525	2,801
Investments held-for-trading		46,627	58,094
Loans receivable		17,569	82,020
Tax recoverable		1,424	3,100
Bank balances and cash		145,424	139,387
		502,077	538,496
CURRENT LIABILITIES			
Trade and other payables	10	119,754	90,935
Bank borrowings		66,034	69,008
Deferred franchise income		33	18
Tax payable		7,458	4,950
		193,279	164,911
NET CURRENT ASSETS		308,798	373,585
TOTAL ASSETS LESS CURRENT LIABILITIES		1,487,543	1,463,714

	30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Audited) (Restated) <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank borrowings	63,948	71,112
Deferred tax liabilities	2,695	2,695
	<u>66,643</u>	<u>73,807</u>
NET ASSETS	<u>1,420,900</u>	<u>1,389,907</u>
CAPITAL AND RESERVES		
Share capital	20,361	20,361
Reserves	1,392,783	1,361,736
	<u>1,413,144</u>	<u>1,382,097</u>
Equity attributable to owners of the Company	<u>1,413,144</u>	<u>1,382,097</u>
Non-controlling interests	<u>7,756</u>	<u>7,810</u>
TOTAL EQUITY	<u>1,420,900</u>	<u>1,389,907</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 2012, 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 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Except as described below, 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.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

Under the amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties (which are all located in Hong Kong) as the Group is not subject to any income tax on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$20,046,000 as at 31 March 2012 with the corresponding adjustment being recognised in accumulated losses and asset revaluation reserve. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 September 2012 and 30 September 2011 being decreased by HK\$6,485,000 and HK\$2,784,000 respectively and hence resulted in the profit for the six months ended 30 September 2012 and the loss for the six months ended 30 September 2011 being increased by HK\$6,485,000 and decreased by HK\$2,784,000 respectively.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Decrease in income tax expense and increase in profit/decrease in loss for the period	6,485	2,784

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2012, is as follows:

	As at		As at
	31 March		31 March
	2012		2012
	(originally		
	stated)	Adjustment	(Restated)
	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	3,696	—	3,696
Deferred tax liabilities	(22,741)	20,046	(2,695)
Total effects on net assets	<u>(19,045)</u>	<u>20,046</u>	<u>1,001</u>
Asset revaluation reserve	23,392	4,622	28,014
Accumulated losses	(104,383)	15,424	(88,959)
Total effect on equity	<u>(80,991)</u>	<u>20,046</u>	<u>(60,945)</u>

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 April 2011, is as follows:

	As at 1 April 2011 (originally stated) <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	As at 1 April 2011 (Restated) <i>HK\$'000</i>
Deferred tax assets	3,514	—	3,514
Deferred tax liabilities	(16,533)	13,962	(2,571)
Total effects on net assets	<u>(13,019)</u>	<u>13,962</u>	<u>943</u>
Asset revaluation reserve	23,392	4,622	28,014
Retained profits	128,004	9,340	137,344
Total effect on equity	<u>151,396</u>	<u>13,962</u>	<u>165,358</u>

Impact on basic and diluted earnings (loss) per share

	Six months ended 30 September	
	2012 (Unaudited) <i>HK cents</i>	2011 (Unaudited) <i>HK cents</i>
Basic and diluted earnings (loss) per share before adjustments	1.33	(6.62)
Adjustments arising from change in accounting policy in related to:		
— application of amendments to HKAS 12 in respect of deferred tax on investment properties	<u>0.32</u>	<u>0.14</u>
Reported basic and diluted earnings (loss) per share	<u>1.65</u>	<u>(6.48)</u>

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle ²
Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

- ¹ Effective for annual periods beginning on or after 1 July 2012.
² Effective for annual periods beginning on or after 1 January 2013.
³ Effective for annual periods beginning on or after 1 January 2014.
⁴ Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and 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 comprises the following:

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of goods	360,278	325,898
Rental income from investment properties	4,696	4,415
Management and promotion fees	768	447
	<u>365,742</u>	<u>330,760</u>

The Group's operating businesses are structured and managed separately according to the nature of their operations and the goods and services they provide. For management purposes, the Group operates in four business units, each of which constitutes an operating segment. Each of the Group's reportable and 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 and operating segments. The Group's reportable and operating segments under HKFRS 8 are as follows:

- (a) 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;
- (b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand names of “Madame Pearl's” and “Pearl's”, respectively;
- (c) 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
- (d) property investment — investment in commercial premises for rental income.

The following is an analysis of the Group's revenue and results by reportable and 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	289,099	253,205	61,468	55,440	10,479	17,700	4,696	4,415	-	-	365,742	330,760
Inter segment sales*	-	-	-	-	17,254	29,570	2,508	2,088	(19,762)	(31,658)	-	-
	<u>289,099</u>	<u>253,205</u>	<u>61,468</u>	<u>55,440</u>	<u>27,733</u>	<u>47,270</u>	<u>7,204</u>	<u>6,503</u>	<u>(19,762)</u>	<u>(31,658)</u>	<u>365,742</u>	<u>330,760</u>
Segment results	<u>25,943</u>	<u>22,402</u>	<u>(16,535)</u>	<u>(1,693)</u>	<u>(1,709)</u>	<u>(854)</u>	<u>631</u>	<u>2,220</u>			<u>8,330</u>	<u>22,075</u>
Other income											16,183	16,817
Unallocated expenses											(8,989)	(7,569)
Finance costs											(1,251)	(987)
Change in fair value of investments held-for-trading											(11,174)	(57,649)
Change in fair value of investment properties											39,300	16,876
Gain on disposal of a subsidiary											661	-
Impairment losses recognised in respect of an associate											-	(95,026)
Share of results of associates											(4,988)	(22,401)
Profit (loss) before taxation											38,072	(127,864)
Income tax expense											(4,447)	(4,110)
Profit (loss) for the period											<u>33,625</u>	<u>(131,974)</u>

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

4. OTHER INCOME

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Effective interest income on loans receivable	11,639	11,575
Interest income on bank deposits	340	16
Interest income on investments held-for-trading	-	415
Total interest income	<u>11,979</u>	<u>12,006</u>
Dividends from investments held-for-trading	1,367	2,172
Processing fee income	791	867
Sub-lease rental income	1,448	1,248
Sundry income	598	524
	<u>16,183</u>	<u>16,817</u>

5. FINANCE COSTS

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	750	201
Bank borrowings not wholly repayable within five years	501	786
	<u>1,251</u>	<u>987</u>

6. PROFIT (LOSS) BEFORE TAXATION

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Recognition of allowance for trade and other receivables	63	103
Allowance for (reversal of) obsolete inventories	159	(198)
Amortisation of other intangible assets, included in selling and distribution expenses	102	94
Depreciation of property, plant and equipment	7,801	6,428
Management fee paid to a shareholder	60	60
Gross rental income	(4,696)	(4,415)
Less: direct outgoing expenses	81	31
	<u>(4,615)</u>	<u>(4,384)</u>

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Income tax recognised in profit or loss:		
Current tax		
Hong Kong	4,447	4,026
Other jurisdictions	–	84
	<u>4,447</u>	<u>4,110</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>33,683</u>	<u>(132,012)</u>
	Number of shares	Number of shares
	2012	2011
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>2,036,142,969</u>	<u>2,036,142,969</u>

The computations of diluted earnings (loss) per share for the six months ended 30 September 2012 and 2011 do not assume the exercise of the outstanding share options of the Company as the exercise prices of those options are higher than the average market price of the shares of the Company for both periods.

9. TRADE AND OTHER RECEIVABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade receivables	79,214	89,891
Less: accumulated impairment	<u>(3,270)</u>	<u>(3,207)</u>
	<u>75,944</u>	<u>86,684</u>
Rental and other deposits	24,834	21,654
Prepayments	19,526	19,235
Other receivables	22,450	27,761
Less: accumulated impairment	<u>(15,000)</u>	<u>(15,000)</u>
	<u>51,810</u>	<u>53,650</u>
Total trade and other receivables	<u><u>127,754</u></u>	<u><u>140,334</u></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:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0–30 days	40,102	48,057
31–60 days	12,843	17,638
61–120 days	19,655	16,681
Over 120 days	<u>3,344</u>	<u>4,308</u>
	<u>75,944</u>	<u>86,684</u>

10. TRADE AND OTHER PAYABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade payables	81,281	45,648
Accrual of salaries and commission	13,546	9,672
Accrual of purchases	–	6,616
Accrual of advertising and promotion	1,339	4,597
Rental deposits received	2,070	2,933
Other payables and accruals	<u>21,518</u>	<u>21,469</u>
	<u>119,754</u>	<u>90,935</u>

The aged analysis of trade payables presented based on the invoice date is as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0–30 days	33,910	22,581
31–60 days	33,610	20,126
61–120 days	11,046	309
Over 120 days	2,715	2,632
	81,281	45,648

The credit period on purchase of goods is 30–60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (30 September 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30 September 2012, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK\$365.7 million (2011: approximately HK\$330.8 million), representing a growth of approximately 10.6% over the same period last year. Besides, the Group recorded a turn from a loss to a profit for the six months ended 30 September 2012 as compared to the corresponding period in 2011, achieving a profit attributable to owners of the Company of approximately HK\$33.7 million (2011: loss of approximately HK\$132.0 million).

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 14.2% from approximately HK\$253.2 million for the same period last year to approximately HK\$289.1 million. The achievement was the result of reinforcing customer confidence in our quality products through strict production and process control, expanding our product range to attract and broaden our customer base, optimising our customer loyalty program with more attractive gifts and rewards, enhancing the incentive scheme for our staff to stimulate sales spirit, launching a series of marketing campaigns to promote brand awareness and product image and the continuously increasing number of Mainland Chinese tourists visiting Hong Kong to buy our products. Although there was a slightly recession in the overall economy, which placed heavy pressure on the general retail business environment, we have still recorded a better same store sales growth and a generally better performing retail business for the period.

Besides, in addition to the existing traditional Chinese medical clinics operated within our retail shops, the Group opened its first integrated Chinese medical centre last year, namely Wai Yuen Tong Practicare Imperial. This strategic move helps to further strengthen our position in the Chinese pharmaceutical and health food products industry.

(2) Western Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 11.0% from approximately HK\$55.4 million for the same period last year to approximately HK\$61.5 million. The cough syrup products under the brand “Madame Pearl’s” kept on contributing a very stable sales momentum and substantial profit margin to the Group.

Meanwhile, the Group has successfully diversified its products portfolio by launching a series of personal care products under its secondary brand “Pearl’s”. By means of continuous product development, adding promotion effort, increasing product penetration and appearance in different sales channels, “Pearl’s” has gained customer confidence, becoming more well-known to the public and more well-received by the market. In the second half of this financial year, we shall introduce more new personal care products which target the children and the adult sectors to the market.

In addition, the new product line, “WALKER” sugar-free mint candy, has brought in additional sales revenue to the Group since its launch to the market in the fourth quarter of last financial year. Market response is positive and encouraging.

(3) Bottled Birds’ Nest Drinks and Herbal Essence Products

Turnover for the period under review decreased by approximately 40.7% from approximately HK\$17.7 million for the same period last year to approximately HK\$10.5 million. The incidents of fake red/blood birds’ nest and high level of sodium nitrite contaminated birds’ nest last year in the market accounted for the significant drop in sales, especially the sales in mainland China market, as mainland China has put an embargo on the import of both dry birds’ nest and bottled birds’ nest. We expect that the whole birds’ nest business will recover when mainland China lifts the ban.

On the other hand, the Group has diversified its product range by introducing more herbal essence products and has expanded the distribution of its products to more overseas Chinese communities in order to minimise the impact of the loss of business in birds’ nest sales.

(4) Investment Properties

Some of the Group’s properties were leased out for commercial purpose while some were used by its retail shops. Management believes in the long-term prospects of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group’s income base.

For the period under review, the Group did not acquire any properties as no appropriate one that suits our strategic needs has been identified.

(5) Investment in PNG Resources Holdings Limited (“PNG”)

PNG, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which is principally engaged in property development in the PRC, forestry and logging operations in Papua New Guinea and retailing of fresh pork meat and related produce in Hong Kong.

The Group shared the loss of PNG of approximately HK\$5.2 million for the period under review (2011: approximately HK\$22.4 million). The reduction in loss was mainly due to the contribution from the revenue and profit realised from the sale of property in the PRC during the period.

No impairment loss was recognised by the Group during the period under review (2011: approximately HK\$95.0 million) as the recoverable amount, which was determined on the basis of the market price of PNG shares less costs to sell, was higher than the carrying value of the interest in PNG.

(6) Investments held-for-trading

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded net realised and unrealised losses of approximately HK\$11.2 million on these held-for-trading investments during the period under review (2011: approximately HK\$57.6 million).

FINANCIAL REVIEW

Liquidity and Gearing

As at 30 September 2012, the Group’s total borrowings amounted to approximately HK\$130.0 million (31 March 2012: approximately HK\$140.1 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the Company, was approximately 9.2% (31 March 2012: approximately 10.1%).

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 dollars 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 2012, the Group had capital commitment of approximately HK\$2.0 million (31 March 2012: approximately HK\$0.4 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 September 2012, the Group had no material contingent liabilities (31 March 2012: Nil).

EMPLOYEES

As at 30 September 2012, the Group had 726 (31 March 2012: 705) employees, of whom approximately 65% (31 March 2012: approximately 67%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group.

PROSPECTS

The recent global financial instability and economic recession has generally affected the business environment in Hong Kong, with the retail business being the most vulnerable. Whilst the Hong Kong retail business of the Group has fared relatively well, in order to minimise the general adverse effect on our business of the worsening global environment as well as the local government policy, the Group will continue to pay efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Besides, the Group will increase the focus and add more resources to develop other sale channels, such as chain stores, key accounts, open trade, overseas, etc., in order to balance the risk and reliance on retail business. The Group will also make use of the cyber world, such as cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which are expected to be a very effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, improving our production efficiency and relocating some of our retail shops to achieve lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

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 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the applicable code provisions of the Corporate Governance Code effective from 1 April 2012 set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2012.

The Group continues to improve its management and control level so as 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 the 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 2012 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 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). The 2012 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman

Hong Kong, 14 November 2012

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