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 2013

INTERIM RESULTS

The board of directors (the "**Board**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
	Notes	**2013**	2012
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	4	**418,614**	365,742
Cost of sales		**(228,210)**	(205,396)
Gross profit		**190,404**	160,346
Other income	4	**28,588**	16,183
Selling and distribution expenses		**(126,497)**	(114,479)
Administrative expenses		**(50,870)**	(46,526)
Finance costs	5	**(3,555)**	(1,251)
Change in fair value of investments held-for-trading, net		**6,461**	(11,174)
Fair value gains on investment properties, net		**13,663**	39,300
Gain on disposal of subsidiaries		**–**	661
Share of results of associates		**4,951**	(4,988)
Profit before tax	6	**63,145**	38,072
Income tax expense	7	**(4,101)**	(4,447)
Profit for the period		**59,044**	33,625

* *For identification purpose only*

	Note	Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**571**	66
Share of other comprehensive income/(loss) of an associate		**7,041**	(2,723)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**7,612**	(2,657)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**66,656**	30,968
Profit attributable to:			
Owners of the parent		**59,080**	33,683
Non-controlling interests		**(36)**	(58)
		59,044	33,625
Total comprehensive income attributable to:			
Owners of the parent		**66,702**	31,022
Non-controlling interests		**(46)**	(54)
		66,656	30,968
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted for the period		**HK2.02 cents**	HK1.65 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	**30 September 2013 (Unaudited)** ***HK$'000***	31 March 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**221,049**	210,933
Investment properties		**455,000**	356,000
Goodwill		**15,335**	15,335
Investments in associates		**288,523**	279,195
Other intangible assets		**482**	547
Loans and interests receivable		**450,000**	186,379
Deferred tax assets		**4,384**	4,384
Deposit for acquisition of an investment property		**–**	47,527
Total non-current assets		**1,434,773**	1,100,300
CURRENT ASSETS			
Inventories		**183,203**	152,419
Trade and other receivables	*10*	**181,200**	154,787
Amounts due from associates		**4,836**	3,931
Investments held-for-trading		**63,593**	57,132
Loans and interests receivable		**93,941**	218,249
Tax recoverable		**5,186**	9,324
Bank balances and cash		**241,937**	356,145
Total current assets		**773,896**	951,987
CURRENT LIABILITIES			
Trade and other payables	*11*	**116,452**	101,544
Bank borrowings		**118,969**	222,674
Deferred franchise income		**33**	18
Tax payable		**565**	1,369
Total current liabilities		**236,019**	325,605
NET CURRENT ASSETS		**537,877**	626,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,972,650**	1,726,682

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**228,209**	40,105
Deferred tax liabilities	**1,625**	1,628
Total non-current liabilities	**229,834**	41,733
NET ASSETS	**1,742,816**	1,684,949
EQUITY		
Share capital	**29,311**	29,311
Reserves	**1,705,886**	1,647,973
Equity attributable to owners of the parent	**1,735,197**	1,677,284
Non-controlling interests	**7,619**	7,665
TOTAL EQUITY	**1,742,816**	1,684,949

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

The accounting policies and the basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and investments held-for-trading, which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS *7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-lnt 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements. Nevertheless, certain changes in disclosures have been adopted by the Group in compliance with HKFRS 13 and HKAS 1 Amendments:

HKFRS 13 established a single source of guidance under HKFRSs for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRSs when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the unaudited interim condensed consolidated financial statements period.

The HKAS 1 Amendments introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their operations and the goods and services they provide and has four reportable operating segments 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 name 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that other income, unallocated expenses, finance costs, changes in fair values of investments held-for-trading and investment properties, gain on disposal of subsidiaries and share of results of associates are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 30 September

The following is an analysis of the Group's revenue and results by reportable operating segment.

	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**		**Eliminations**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**326,452**	289,099	**78,897**	61,468	**7,650**	10,479	**5,615**	4,696	**–**	–	**418,614**	365,742
Intersegment sales	**–**	–	**–**	–	**11,576**	17,254	**3,172**	2,508	**(14,748)**	(19,762)	**–**	–
Total	**326,452**	289,099	**78,897**	61,468	**19,226**	27,733	**8,787**	7,204	**(14,748)**	(19,762)	**418,614**	365,742
Segment results	**25,558**	25,943	**(1,311)**	(16,535)	**(1,990)**	(1,709)	**2,763**	631			**25,020**	8,330
Other income											**28,588**	16,183
Unallocated expenses											**(11,983)**	(8,989)
Finance costs											**(3,555)**	(1,251)
Change in fair value of investments held-for-trading, net											**6,461**	(11,174)
Fair value gains on investment properties, net											**13,663**	39,300
Gain on disposal of subsidiaries											**–**	661
Share of results of associates											**4,951**	(4,988)
Profit before tax											**63,145**	38,072
Income tax expense											**(4,101)**	(4,447)
Profit for the period											**59,044**	33,625

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; and management and promotion fees received.

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**412,608**	360,660
Rental income from investment properties	**5,615**	4,696
Management and promotion fees	**391**	386
	418,614	365,742
Other income		
Effective interest income on loans receivable	**23,010**	11,639
Interest income on bank deposits	**1,317**	340
Dividends from investments held-for-trading	**1,548**	1,367
Processing fee income	**837**	791
Sub-lease rental income	**1,437**	1,448
Others	**439**	598
	28,588	16,183

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**970**	750
Bank borrowings not wholly repayable within five years	**2,585**	501
	3,555	1,251

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including recognition of allowance for obsolete inventories of approximately HK$633,000 (2012: approximately HK$159,000))	**228,210**	205,396
Depreciation	**9,205**	7,801
Amortisation of other intangible assets	**104**	102
Exchange losses, net	**132**	321
Recognition/(reversal) of impairment losses of trade and other receivables	**(108)**	63
Gross rental income	**(5,615)**	(4,696)
Less: direct outgoing expenses	**114**	81
	(5,501)	(4,615)

7. INCOME TAX EXPENSE

Hong Kong profits tax and Singapore income tax have been provided at the rates of 16.5% and 17% (six months ended 30 September 2012: 16.5% and 17%) on the estimated assessable profits arising in Hong Kong and Singapore, respectively during the period. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**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 rate for the Group's subsidiaries in the PRC for the current period is 25% (six months ended 30 September 2012: 24%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**4,143**	4,447
Underprovision in prior periods	**8**	–
Current – other jurisdictions		
Overprovision in prior periods	**(50)**	–
Total tax charge for the period	**4,101**	4,447

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,931,142,969 (six months ended 30 September 2012: 2,036,142,969) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2013 and 2012 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the parent are based on:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in basic and diluted earnings per share calculation	**59,080**	33,683

	Number of shares	
	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**2,931,142,969**	2,036,142,969

9. INTERIM DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

10. TRADE AND OTHER RECEIVABLES

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
Trade receivables	**119,044**	98,787
Less: accumulated impairment	**(3,300)**	(3,408)
	115,744	95,379
Rental and other deposits	**23,952**	25,336
Prepayments	**22,993**	18,925
Other receivables	**18,511**	15,147
	65,456	59,408
Total trade and other receivables	**181,200**	154,787

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 60 to 120 days. Each customer has a maximum credit limit and credit limit are reviewed regularly. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables which are past due but not impaired based on the due date:

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
0 – 30 days	**14,101**	11,770
31 – 60 days	**8,333**	5,512
61 – 120 days	**13,145**	3,422
121 – 180 days	**309**	994
Over 180 days	**–**	1,268
	35,888	22,966

The Group has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable, except for a receivable in the prior year that were past due over 180 days but not impaired relate to the sales to a PRC customer that have continuous settlements subsequent to 31 March 2013. The directors are of opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE AND OTHER PAYABLES

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
Trade payables	**75,728**	64,857
Accrual of salaries and commission	**15,700**	10,944
Accrual of advertising and promotion	**1,958**	3,694
Rental deposits received	**2,662**	2,244
Other payables and accruals	**20,404**	19,805
	116,452	101,544

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

	30 September 2013 (Unaudited) *HK$'000*	31 March 2013 (Audited) *HK$'000*
0 – 30 days	**32,610**	19,117
31 – 60 days	**34,894**	19,319
61 – 120 days	**4,449**	25,247
Over 120 days	**3,775**	1,174
	75,728	64,857

The credit periods on purchase of goods are 30 to 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 2013 (30 September 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30 September 2013, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK$418.6 million (2012: approximately HK$365.7 million), representing a growth of approximately 14.5% over the same period last year. Besides, the Group recorded a significant increase in profit for the six months ended 30 September 2013 as compared to the corresponding period in 2012, achieving a profit attributable to owners of the parent of approximately HK$59.1 million (2012: approximately HK$33.7 million). Such improvement in result was mainly attributable to, among other things, the increase in gross profit resulting from the increase in the Group's turnover and the gain from change in fair value of investments held-for-trading for the six months ended 30 September 2013 as compared to the loss recorded in the corresponding period in 2012, despite the same will be partly set-off by the decrease in fair value gains on investment properties for the six months ended 30 September 2013 as compared with the corresponding period in 2012.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 12.9% from approximately HK$289.1 million for the same period last year to approximately HK$326.5 million. Due to the recent relatively slower overall economy, which placed heavy pressure on the general retail business environment, there was a slowdown in the growth rate of our retail business. Indeed we still recorded a better same store sale growth at a low single digit. On the other hand, sales performance in other channels, such as chain stores, key accounts and open trade, kept on recording remarkable growth rate against the same period last year. This achievement was the result of increasing focus and resources to boost these alternative sale channels which we had previously identified to have good potential.

The increasing public awareness and concern on personal health and the increasing trend of people consuming health supplements indicated that our business is in a favorite environment for further growth and development. In order to seize these opportunities, we will continue to expand our product range so as to attract and broaden our customer base. Series of marketing campaigns will be launched to promote brand awareness and product image. Meanwhile, we must maintain strict production and process control so as to reinforce customers' confidence in our quality products. We believe that going through all these actions will attract not just local Hong Kong citizens but also the increasing number of Mainland Chinese tourists visiting Hong Kong to buy our products.

In addition, the establishment of integrated Chinese medical centres to provide Chinese medicine consultation services has proven successful and the Group will explore ways to expand our Chinese medicine consultation services. We believe that this strategic move will help 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 28.3% from approximately HK$61.5 million for the same period last year to approximately HK$78.9 million. The upsurge in sales was mainly contributed by the cough syrup products under our primary brand "Madame Pearl's". After about half year's prohibition in sales as imposed by the Mainland China government authority, the sales of cough syrup products containing codeine in Mainland China market resumed in May 2013. Customers' demand has been accumulated during the banning period and thus brought forward the sales to the current period.

Meanwhile, the sales performance of the personal care products under our secondary brand "Pearl's" continued to be positive and has shown a stable sales momentum. By means of continuous product development, adding promotion effort, increasing product penetration and appearance in different sale channels, "Pearl's" has gained customer confidence, becoming more well-known to the public and more well-received by the market. In future, we shall diversify its products portfolio and introduce more new personal care products which target the children and the adult sectors to the market.

Another new product line, sugar-free mint candy, also brought in constant revenue to the Group since its launch in the market, attracting and broadening our customer base, especially among the younger generation.

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

Turnover for the period under review decreased by approximately 26.7% from approximately HK$10.5 million for the same period last year to approximately HK$7.7 million. Mainland China remains putting an embargo on the import of both dry birds' nest and bottled birds' nest caused the continuous sales dip in this segment. Besides, we also experienced sales drop in the Singapore local market due to cautious consumer spending.

The Group will keep on exploring for diversification of its product range by introducing more herbal essence products and to expand 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) Property Investment

Some of the Group's properties were leased out for commercial purpose while some were used by our 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.

On 2 April 2013, the Group completed the acquisition of an investment property located in Jordan, Kowloon, Hong Kong, at a cash consideration of HK$81.0 million. The property is currently leased out to an independent third party for commercial purpose.

(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 the businesses of property development in the PRC, retailing of the fresh pork meat and related produce in Hong Kong and the forestry and timber logging project in Papua New Guinea.

As at 30 September 2013, the Group held a 34.63% shareholding interest in PNG. The Group's share of the profit of PNG amounted to approximately HK$5.1 million for the period under review (2012: loss of approximately HK$5.2 million). The improvement in result was mainly due to the net effect of the increase in profit realised from PNG's sale of property in the PRC over the net loss arising from the decrease in fair value of the plantation assets in Papua New Guinea during the period.

No impairment loss on the Group's investment in PNG was recognised by the Group during the period under review (2012: Nil) as the recoverable amount was assessed to be closed to the carrying value of the interest in PNG.

On 19 September 2013, PNG announced the disposal of a subsidiary. This subsidiary company in turn holds the entire issued share capital of another company which is principally engaged in the forestry and timber logging project in Papua New Guinea. For details of the disposal, please refer to PNG's announcement dated 19 September 2013 and PNG's circular dated 7 November 2013.

(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 gain on change in fair value of investments held-for-trading of approximately HK$6.5 million for the period under review (2012: net loss of approximately HK$11.2 million).

(7) Loan facilities granted to PNG

For the period under review, on August 2013, PNG repaid one of the outstanding loans with the principal amount of HK$15.0 million, together with accrued interest, to the Group upon its maturity.

On 22 August 2013, the Group and PNG entered into two sets of the supplemental loan agreements to each of the previous loan agreements regarding the loan principals of HK$10.0 million and HK$190.0 million, respectively, pursuant to which the Group conditionally agreed to extend the respective repayment dates under each of the previous loan agreements for three years upon each of the respective maturity dates in consideration for the increase in interest rate from 8.0% to 10.0% per annum and the interest accrued will be payable on an annual basis. Details of the supplemental loan agreements were set out in the Company's announcement dated 22 August 2013 and the Company's circular dated 9 September 2013.

In view of the development prospects of PNG, the Group considers that it is in the interest of the shareholders to continue to support the development of PNG by way of loan financing with an aim to generate return to the shareholders in long run as a controlling shareholder of PNG. The Group also considers that the continuous provision of the loan facilities to PNG provides the Group a higher and stable interest income in the short to medium term.

(8) Loan facilities granted to China Agri-Products Exchange Limited ("CAP")

On 28 May 2013, the Group entered into a loan agreement with CAP, pursuant to which the Group agreed to grant to CAP a revolving loan facility in an aggregate amount of not exceeding HK$150.0 million at an interest rate of 12.0% per annum for a term of three years. Loan principals of HK$100.0 million and HK$50.0 million were fully drawn down by CAP in May and June 2013, respectively.

Together with the aggregate loan of HK$175.0 million under the previous loan facility agreements, CAP was indebted to the Group in an aggregate loan amount of HK$325.0 million as at 30 September 2013.

The Group considers that the loans granted to CAP provides a higher and stable return of interest income to the Group in the short to medium term.

(9) New factory construction project in Yuen Long Industrial Estate

Following the grant lease of a piece of land located at Yuen Long Industrial Estate by Hong Kong Science and Technology Parks Corporation to the Group as mentioned in last year annual report, the preliminary works for the construction of a five-storey factory building to house the Group's pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing already commenced indeed. Foundation work is now underway and will last until mid-2014. Thereafter, superstructure works, fitting out works, equipment ordering, etc. will follow. We expected that the whole factory construction will be completed in 2016, while operation is targeted to begin in early 2017.

FINANCIAL REVIEW

Liquidity and Gearing

As at 30 September 2013, the Group's total borrowings amounted to approximately HK$347.2 million (31 March 2013: approximately HK$262.8 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 20.0% (31 March 2013: approximately 15.7%).

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 2013, the Group had capital commitment of approximately HK$50.8 million (31 March 2013: approximately HK$13.6 million) and nil (31 March 2013: approximately HK$37.0 million) in respect of the acquisition of property, plant and equipment and investment property, respectively, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 September 2013, the Group had no material contingent liabilities (31 March 2013: Nil).

EMPLOYEES

As at 30 September 2013, the Group had 796 (31 March 2013: 741) employees, of whom approximately 69% (31 March 2013: approximately 66%) 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 slow down has generally affected the business environment in Hong Kong and the PRC, with the retail business being the most vulnerable. In order to minimise the general adverse effect on our business of the worsening global environment as well as the ever changing local government policy, control and measure, the Group will continue to make 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. Realising that people have attached greater importance to personal health and well-being, the Group will produce more educational information relating to these topics and will publish in various media which can show to the public our dedication within the industry. Proven that there is a strong growth potential in other sale channels, such as chain stores, key accounts, open trade, etc., the Group will further increase its focus and concentration by adding more resources, including manpower, incentives, advertising and promotion budget to develop these alternative sale channels, with the target to balance the risk and reliance on retail business and shifting towards a more healthy sale channel mix. Besides, 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 have already been recognised as an 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 if it can bring synergy to our existing business, 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 as they form a significant portion of 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, reviewing various operating cycles and processes so as to improve our production efficiency and restructuring some of our retail shops, whether location or shop size, to achieve greater sales revenue deriving from 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.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system in the pharmaceutical industry is the next milestone of the Group. Taking the opportunity that the Group has been granted the lease of a piece of land located at Yuen Long Industrial Estate, the Group is keen to construct a new and modernised five-storey factory building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.

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 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2013.

The Group is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence and enhancing 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 with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls and other corporate governance issues. The Audit Committee has reviewed with management and the Company's external auditors the unaudited condensed consolidated financial statements for the six months ended 30 September 2013 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. 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 2013 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the aforesaid 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, 20 November 2013

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*