



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 2006

INTERIM RESULTS

The Board of Directors (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005. These condensed consolidated financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		For the six months ended 30 September	
		2006 (Unaudited)	2005 (Unaudited and Restated)
	Notes	HK\$'000	HK\$'000
REVENUE	3	172,499	163,413
Cost of sales		(93,430)	(95,089)
Gross profit		79,069	68,324
Other income		7,627	1,475
Distribution costs		(57,367)	(60,777)
Administrative expenses		(30,717)	(41,764)
Finance costs	4	(3,505)	(4,016)
Impairment loss recognised in respect of goodwill		(161)	(80)
Gain on disposal of investment properties		—	800
Decrease in fair value of investment property		(150)	—
Share of results of associates		90	571
LOSS BEFORE TAXATION	5	(5,114)	(35,467)
Income tax expenses	6	(196)	—
LOSS FOR THE PERIOD		(5,310)	(35,467)
ATTRIBUTABLE TO:			
Equity holders of the Company		(5,314)	(34,818)
Minority interests		4	(649)
		(5,310)	(35,467)
LOSS PER SHARE	7		
Basic		(0.4) HK cents	(6) HK cents
Diluted		N/A	N/A

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

		30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment property		8,950	9,100
Property, plant and equipment		81,840	84,934
Prepaid lease payments		138,965	140,721
Goodwill		255,461	255,461
Investments in associates		3,747	3,827
Amount due from an associate		7,300	7,300
Long-term bank deposit		21,350	7,762
Trademarks		1,159	1,216
Deposits paid for investments		13,930	14,704
Deferred tax assets		341	341
		<hr/>	<hr/>
		533,043	525,366
CURRENT ASSETS			
Inventories		78,188	66,958
Trade and other receivables	8	64,046	59,135
Prepaid lease payments		3,512	3,512
Amounts due from associates		13,154	13,631
Taxation recoverable		777	1,294
Investments held-for-trading		19,716	14,491
Derivative financial instruments		—	100
Pledged deposits		19,506	42,703
Bank balances and cash		90,702	108,793
		<hr/>	<hr/>
		289,601	310,617
CURRENT LIABILITIES			
Trade and other payables	9	62,920	53,502
Taxation payable		296	340
Obligations under finance leases		114	270
Bank borrowings		30,404	38,323
Deferred franchise income		242	234
Convertible loan stock		6	6
		<hr/>	<hr/>
		93,982	92,675
NET CURRENT ASSETS		<hr/>	<hr/>
		195,619	217,942
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		728,662	743,308

	30 September 2006 (Unaudited) Notes	31 March 2006 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Obligations under finance leases	30	104
Bank borrowings	84,901	94,363
Deferred franchise income	—	18
Deferred tax liabilities	2,008	2,032
	86,939	96,517
NET ASSETS	641,723	646,791
CAPITAL AND RESERVES		
Share capital	13,964	13,964
Reserves	627,676	632,748
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	641,640	646,712
MINORITY INTERESTS	83	79
TOTAL EQUITY	641,723	646,791

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed 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 condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2006.

In current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 8	Scope of HKFRS 2 ²
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

3. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into the following major divisions: (i) production and sale of Chinese pharmaceutical and health food products; (ii) production and sale of bottled birds' nest drinks and herbal essence products; (iii) production and sale of Western pharmaceutical and health food products; and (iv) property investments and property holding. These divisions are the basis on which the Group reports its primary segment information.

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

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of bottled bird's nest drinks and herbal essence products		Production and sale of Western pharmaceutical and health food products		Property investments and property holding		Elimination		Total	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
REVENUE												
External	121,908	120,984	17,873	19,069	31,833	22,368	885	992	—	—	172,499	163,413
Inter segment sales [#]	376	101	14,300	4,565	—	246	3,336	4,019	(18,012)	(8,931)	—	—
	<u>122,284</u>	<u>121,085</u>	<u>32,173</u>	<u>23,634</u>	<u>31,833</u>	<u>22,614</u>	<u>4,221</u>	<u>5,011</u>	<u>(18,012)</u>	<u>(8,931)</u>	<u>172,499</u>	<u>163,413</u>
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	3,000	(9,648)	161	(3,560)	2,657	114	(2,901)	222			2,917	(12,872)
Impairment loss recognised in respect of goodwill	(161)	(91)									(161)	(91)
Release of negative goodwill	—	11	—	—	—	—	—	—			—	11
Segments results	<u>2,839</u>	<u>(9,728)</u>	<u>161</u>	<u>(3,560)</u>	<u>2,657</u>	<u>114</u>	<u>(2,901)</u>	<u>222</u>			<u>2,756</u>	<u>(12,952)</u>
Other income											7,627	1,475
Unallocated corporate expenses											(12,082)	(20,545)
Finance costs											(3,505)	(4,016)
Share of results of associates											90	571
Loss before taxation											(5,114)	(35,467)
Income tax											(196)	—
Loss for the period											<u>(5,310)</u>	<u>(35,467)</u>

[#] Inter segment sales are charged on terms determined and agreed between group companies.

(b) **Geographical segments**

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

The following is an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods and services:

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	126,939	130,499
PRC, other than Hong Kong	22,103	9,312
Singapore	11,649	14,638
Others	11,808	8,964
	<u>172,499</u>	<u>163,413</u>

4. Finance costs

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,446	1,700
Bank borrowings not wholly repayable within five years	2,033	1,760
Finance leases	26	26
Effective interest expenses on convertible notes	—	530
	<u>3,505</u>	<u>4,016</u>

5. Loss before taxation

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Loss before taxation has been arrived after charging:		
Allowance for inventories	—	1,625
Allowance for trade receivables	26	2,932
Amortisation of trademarks, included in administrative expenses	77	42
Depreciation of property, plant and equipment	7,826	7,616
Amortisation of prepaid lease payments	1,756	1,756
Management fee paid to a shareholder	48	486
and after crediting:		
Written back on allowance for inventories	204	—
Rental income, net of outgoing of HK\$274,000 (2005: HK\$251,000)	611	742
	<u>611</u>	<u>742</u>

6. Income tax expenses

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Other jurisdictions	<u>351</u>	<u>—</u>
	351	—
Overprovision in prior years		
Hong Kong Profits Tax	—	—
Other jurisdictions	(129)	—
Deferred taxation		
Current year	<u>(26)</u>	<u>—</u>
	<u>196</u>	<u>—</u>

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the period. Singapore Income Tax is calculated at 20% (2005: 20%) on the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to the ordinary holders of the Company for the period of HK\$5,314,000 (2005: HK\$34,818,000), and the weighted average number of 1,396,347,688 (2005: 552,918,776) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 September 2005 and 2006 does not assume the conversion of the outstanding convertible notes of the Company since their exercise would result in a decrease in net loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2005 has been retrospectively adjusted for the effect of the rights issue and bonus issue and capital reorganisation which were approved by the shareholders of the Company on 16 November 2005 and 8 June 2005 respectively.

8. Trade and other receivables

	30 September	31 March
	2006	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	51,421	47,766
Less: accumulated impairment	<u>(3,029)</u>	<u>(3,830)</u>
	48,392	43,936
Other receivables	<u>15,654</u>	<u>15,199</u>
Total trade and other receivables	<u>64,046</u>	<u>59,135</u>

The Group allows an average credit period of 60 days to 120 days to its trade customers. The following is an aged analysis of trade receivables (net of impairment loss) at the balance sheet date:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 — 30 days	17,816	15,216
31 — 60 days	10,201	8,221
61 — 120 days	15,196	17,755
Over 120 days	<u>5,179</u>	<u>2,744</u>
	<u>48,392</u>	<u>43,936</u>

The fair value of the Group's trade and other receivables at 30 September 2006 approximates to the corresponding carrying amount.

9. Trade and other payables

Include in trade and other payables are trade payables of approximately HK\$29,983,000 (31 March 2006: HK\$26,933,000) and their aged analysis is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 — 30 days	17,005	12,722
31 — 60 days	10,398	7,606
61 — 120 days	1,337	4,205
Over 120 days	<u>1,243</u>	<u>2,400</u>
	29,983	26,933
Other payables	<u>32,937</u>	<u>26,569</u>
	<u>62,920</u>	<u>53,502</u>

The fair value of the Group's trade and other payables at 30 September 2006 approximates to the carrying amount.

CHAIRMAN'S STATEMENT

For the six months ended 30 September 2006, the Group achieved a revenue of approximately HK\$172.5 million, representing a year-on-year increase of approximately 5.6% (2005: HK\$163.4 million). Gross profit was approximately HK\$79.1 million (2005: HK\$68.3 million), representing an increase of approximately 15.8%. The Group recorded a loss attributable to the equity holders of the Company for the six months ended 30 September 2006 of approximately HK\$5.3 million (2005: HK\$34.8 million).

The management team of the Group applied various strategic measures to maintain gross profit margin of the Group at a relatively high level. Although facing the inflationary pressure in both the raw materials and the keen price competition in retail market, the gross profit margin of the Group for the period ended 30 September 2006 still has an increase of 4% from last period of 42% to 46% in this period.

For the period under review, the overall business in Wai Yuen Tong, Luxembourg and CNT grew steadily and I was most encouraged by the substantial reduction in the Group's loss of 85%. Look ahead, we believe that our effort in brand loyalty building, effective operation and financial strategies and effective distributional networks, will support the growth of the Group and allow us to gain access to additional business opportunities that may be presented to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Wai Yuen Tong Medicine Company Limited (“Wai Yuen Tong”)

Revenue for the period under review increased slightly from HK\$121 million to HK\$121.9 million. During the period under review, the Group opened 5 new retail shops in Hong Kong and 6 concession counters in the PRC, bringing the total to 53 retail shops and 18 concession counters, leading Wai Yuen Tong to be the largest Chinese herbal medicine retail chains in Hong Kong. Wai Yuen Tong also operates the largest Chinese medical practitioners network in Hong Kong with a total of 40 retail shops providing consultation services by registered Chinese medical practitioners.

With a view to rejuvenate the brand of “Wai Yuen Tong”, a new series of rebranding works have been launched in November 2006 to re-strengthen the public image of “Wai Yuen Tong” as the No. 1 Chinese medical and herbal medicine company in Hong Kong.

The award of the GMP and TGA certifications in early 2006 provides an opportunity to expand the sales in overseas markets.

(II) Luxembourg Medicine Company Limited (“Luxembourg”)

For the period under review, Luxembourg's revenue achieved an increase by 42% to HK\$31.8 million (2005: HK\$22.4 million), mainly due to its successful marketing strategy by increasing the media exposure to the public and rebranded some of our products to cater the needs and preference of the younger consumers.

In addition, cough syrup under the brand of Madame Pearl's, one of the Luxembourg's hero products, continues to grow satisfactory in Hong Kong, PRC and overseas markets.

(III) CNT Health Food Pte Limited (“CNT”)

Revenue for the period under review was HK\$17.9 million (2005: HK\$19.1 million). CNT is one of the largest bottled bird's nest products manufacturers in Singapore. It also provides a diverse range of high quality health products such as hashima, herbal essence and herbal jelly.

CNT has obtained Hazard Analysis Critical Control Points (“HACCP”), an internationally-recognised codex standard on food safety and quality. In view of this, CNT hopes to secure higher market share in Singapore and plans to expanding its market to Hong Kong and Mainland China.

OVERALL OPERATIONS REVIEW

(I) Liquidity and Financial Resources

As at 30 September 2006, current assets and current ratio of the Group were approximately HK\$289.6 million and 3.08 respectively. Current assets mainly comprised inventories of approximately HK\$78.2 million, trade and other receivables of approximately HK\$64.0 million, bank balances and cash of approximately HK\$90.7 million. The Group had total assets of approximately HK\$822.6 million, current liabilities of approximately HK\$94.0 million, non-current liabilities of approximately HK\$86.9 million and shareholder's equity of approximately HK\$641.6 million.

As at 30 September 2006, the overall gearing ratio of the Group is approximately 18% (31 March 2006: 20.6%) represented by total borrowings of approximately HK\$115.4 million (31 March 2006: HK\$133.1 million) compared to net worth of approximately HK\$641.6 million (31 March 2006: HK\$646.7 million).

(II) Treasury Policies

The Group generally finances its operation with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong. As at 30 September 2006, total outstanding short-term bank borrowings were approximately HK\$30.4 million. The interest rates for most of these loans were determined by reference to the Hong Kong dollar prime rate. The Group has no interest rate hedging arrangement during the period under review. The Board of Directors believes that the Group has sufficient financial resources to discharge its debts and to finance its operation.

(III) Foreign Exchange

The Group has no material foreign exchange exposure. All bank borrowings are denominated in Hong Kong and Singapore dollars. The revenue of the Group, being mostly denominated in Hong Kong and Singapore dollars, matched with the currency requirement of the Group's operating expenses.

(IV) Contingent Liabilities

The Group's contingent liabilities as at 30 September 2006 amounted to approximately HK\$3.5 million (31 March 2006: HK\$3.8 million).

CORPORATE GOVERNANCE

The Directors and the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board of directors, sound internal controls, and transparency and accountability to all shareholders. The Company applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2006.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standards set out in the Model Code during the six months ended 30 September 2006.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2006, there was no purchase, sale or redemption of the Company's listed shares by the Company or any its subsidiaries.

PUBLICATION OF FURTHER INFORMATION

All the information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Company's website at www.wyth.net and the Stock Exchange's website at www.hkex.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to thank the management and all staff for their concerted effort, commitment and professionalism.

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
Tang Ching Ho
Chairman

Hong Kong, 21 December 2006

*As at the date of this announcement, the Board comprises:
two Executive Directors: Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas,
four Independent Non-executive Directors: Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou.*

Please also refer to the published version of this announcement in The Standard.