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WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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 2015, together with the comparative figures for the corresponding period in 2014. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	376,845	381,045
Cost of sales		<u>(213,830)</u>	<u>(220,393)</u>
Gross profit		163,015	160,652
Other income	4	47,935	33,667
Selling and distribution expenses		(143,232)	(130,396)
Administrative expenses		(64,088)	(60,784)
Finance costs	6	(6,765)	(4,682)
Change in fair value of equity investments at fair value through profit or loss, net		8,859	29,670
Fair value gains on investment properties, net		–	2,568
Gain on disposal of a subsidiary		2,484	–
Loss on deemed partial disposal of equity interests in an associate		(37,101)	(32,928)
Share of profits and losses of associates		<u>97,025</u>	<u>13,951</u>
PROFIT BEFORE TAX	5	68,132	11,718
Income tax expense	7	<u>(590)</u>	<u>(287)</u>
PROFIT FOR THE PERIOD		<u><u>67,542</u></u>	<u><u>11,431</u></u>

* For identification purpose only

	<i>Note</i>	Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		46,208	–
Exchange differences on translation of foreign operations		(1,798)	–
Release of reserves upon deemed partial disposal of equity interests in an associate		(2,537)	(3,926)
Share of other comprehensive income/(loss) of an associate		2,132	(5,178)
		<u>44,005</u>	<u>(9,104)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD			
		<u>44,005</u>	<u>(9,104)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		<u>111,547</u>	<u>2,327</u>
Profit attributable to:			
Owners of the parent		67,650	11,490
Non-controlling interests		(108)	(59)
		<u>67,542</u>	<u>11,431</u>
Total comprehensive income attributable to:			
Owners of the parent		111,655	2,386
Non-controlling interests		(108)	(59)
		<u>111,547</u>	<u>2,327</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		(Restated)
Basic and diluted			
— For profit for the period		<u>HK1.15 cents</u>	<u>HK0.34 cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015

	<i>Notes</i>	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		565,175	516,741
Investment properties		487,000	510,000
Goodwill		15,335	15,335
Other intangible assets		381	408
Investments in associates		465,178	294,945
Available-for-sale investment		661,288	613,615
Deferred tax assets		6,929	6,929
		<hr/>	<hr/>
Total non-current assets		2,201,286	1,957,973
CURRENT ASSETS			
Inventories		166,855	151,385
Trade and other receivables	<i>10</i>	277,045	237,907
Amounts due from associates		11,719	10,640
Equity investments at fair value through profit or loss		198,894	193,222
Loans and interest receivables		–	18,951
Tax recoverable		2,510	2,874
Bank balances and cash		245,939	250,951
		<hr/>	<hr/>
Total current assets		902,962	865,930
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	127,341	225,717
Bank borrowings		231,165	199,223
Deferred franchise income		48	18
Tax payable		1,032	587
		<hr/>	<hr/>
Total current liabilities		359,586	425,545
		<hr/>	<hr/>
NET CURRENT ASSETS		543,376	440,385
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,744,662	2,398,358
		<hr/>	<hr/>

	<i>Note</i>	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowings		363,183	350,873
Deferred tax liabilities		1,530	1,530
		<hr/>	<hr/>
Total non-current liabilities		364,713	352,403
		<hr/>	<hr/>
NET ASSETS		2,379,949	2,045,955
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital	12	63,257	42,171
Reserves		2,309,574	1,996,558
		<hr/>	<hr/>
Equity attributable to owners of the parent		2,372,831	2,038,729
Non-controlling interests		7,118	7,226
		<hr/>	<hr/>
TOTAL EQUITY		2,379,949	2,045,955
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2015

1. BASIS OF PREPARATION

These 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 to 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 2015.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale investment and equity investments at fair value through profit or loss, which have been measured at fair value. These condensed 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 amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements and these have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

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 three 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; and
- (c) 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, gain on disposal of a subsidiary, net changes in fair values of equity investments at fair value through profit or loss, loss on deemed partial disposal of equity interests in an associate and share of profits and losses 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.

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		Property investment		Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Segment revenue:										
Sales to external customers	301,582	313,256	69,157	61,696	6,106	6,093	-	-	376,845	381,045
Intersegment sales	-	-	-	-	3,949	3,646	(3,949)	(3,646)	-	-
Total	301,582	313,256	69,157	61,696	10,055	9,739	(3,949)	(3,646)	376,845	381,045
Segment results	(12,970)	(675)	(6,839)	(14,572)	2,800	5,651			(17,009)	(9,596)
Other income									47,935	33,667
Unallocated expenses									(27,296)	(18,364)
Finance costs									(6,765)	(4,682)
Change in fair value of equity investments at fair value through profit or loss, net									8,859	29,670
Gain on disposal of a subsidiary									2,484	-
Loss on deemed partial disposal of equity interests in an associate									(37,101)	(32,928)
Share of profits and losses of associates									97,025	13,951
Profit before tax									68,132	11,718
Income tax expense									(590)	(287)
Profit for the period									67,542	11,431

4. REVENUE AND OTHER INCOME

Revenue 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 are as follows:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	370,276	374,520
Rental income from investment properties	6,106	6,093
Management and promotion fees	463	432
	<u>376,845</u>	<u>381,045</u>
Other income		
Effective interest income on loan receivables	–	27,772
Interest income on an available-for-sale investment	36,079	–
Imputed interest income on an available-for-sale investment	1,465	–
Interest income on bank deposits	2,135	2,162
Dividends from equity investments at fair value through profit or loss	1,583	1,609
Sub-lease rental income	1,308	1,267
Exchange gains, net	–	435
Others	5,365	422
	<u>47,935</u>	<u>33,667</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense (including reversal of allowance for obsolete inventories of approximately HK\$986,000 (2014: approximately HK\$1,944,000))	213,830	220,393
Depreciation	7,401	7,744
Amortisation of other intangible assets	86	109
Exchange losses/(gains), net	3,075	(435)
Impairment of trade receivables*	41	5,329
Management fee paid to a shareholder	60	60
Gross rental income	(6,106)	(6,093)
Less: direct outgoing expenses	139	139
	<u>(5,967)</u>	<u>(5,954)</u>

* Impairment of trade receivables is included in "Administrative expense" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	6,765	4,682

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rates of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits arising in Hong Kong 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 rate of two of the Group’s subsidiaries established in the PRC is 25% (six months ended 30 September 2014: 25%).

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	590	350
Underprovision in prior periods	–	322
Current — other jurisdiction		
Overprovision in prior periods	–	(140)
Deferred taxation	–	(245)
Total tax charge for the period	590	287

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2015 (six month ended 30 September 2014: Nil).

9. 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 5,903,087,072 (30 September 2014: 3,398,509,890 (restated)) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of Rights Issue as defined in note 12 to the announcement completed on 19 May 2015.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2015 and 2014 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in basic and diluted earnings per share calculations	<u>67,650</u>	<u>11,490</u>
	Number of shares	
	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	<u>5,903,087,072</u>	<u>3,398,509,890</u>

10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	125,866	126,256
Less: accumulated impairment	<u>(11,176)</u>	<u>(11,135)</u>
	<u>114,690</u>	<u>115,121</u>
Rental and other deposits	47,256	26,832
Prepayments	83,904	55,925
Other receivables	<u>31,195</u>	<u>40,029</u>
	<u>162,355</u>	<u>122,786</u>
Total trade and other receivables	<u><u>277,045</u></u>	<u><u>237,907</u></u>

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. 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.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0–30 days	29,652	35,948
31–60 days	21,592	19,772
61–120 days	24,991	37,602
121–180 days	11,334	7,986
Over 180 days	27,121	13,813
	<u>114,690</u>	<u>115,121</u>

The Group had provided fully for all receivables that was past due over 180 days because historical experience shows that receivables that are past due beyond 180 days are generally not recoverable, except for a receivable that were past due over 180 days but not impaired and was related to the sales to a PRC customer that had made continuous settlements subsequent to the reporting date. The directors are of the 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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade payables	52,713	81,517
Accrual of salaries and commission	23,487	22,365
Accrual of advertising and promotion	8,036	10,170
Rental deposits received	2,931	2,799
Other payables and accruals	40,174	108,866
	<u>127,341</u>	<u>225,717</u>

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0 – 30 days	24,751	19,598
31 – 60 days	25,011	22,398
61 – 120 days	1,808	38,767
Over 120 days	1,143	754
	<u>52,713</u>	<u>81,517</u>

The trade and other payables are non-interest-bearing. 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.

12. SHARE CAPITAL

Shares

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Authorised: 60,000,000,000 ordinary shares of HK\$0.01 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid: 6,325,714,453 (31 March 2015: 4,217,142,969) ordinary shares of HK\$0.01 (31 March 2015: HK\$0.01) each	<u>63,257</u>	<u>42,171</u>

A summary of the transactions during the period in the Company's issued share capital is as follows:

	Number of share in issue	Issued capital HK\$000	Share premium HK\$000	Total HK\$000
At 1 April 2015	4,217,142,969	42,171	1,523,882	1,566,053
Rights issue (<i>Note</i>)	2,108,571,484	21,086	206,640	227,726
Rights issue expenses	<u>–</u>	<u>–</u>	<u>(5,279)</u>	<u>(5,279)</u>
At 30 September 2015	<u>6,325,714,453</u>	<u>63,257</u>	<u>1,725,243</u>	<u>1,788,500</u>

Note:

On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK\$0.108 per rights share (the “**Rights Issue**”) and a total of 2,108,571,484 rights shares were issued at a total cash consideration, before expenses, of approximately HK\$227,726,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 4,217,142,969 shares of HK\$0.01 each to 6,325,714,453 shares of HK\$0.01 each. Details of the Rights Issue were disclosed in the Company's announcements dated 26 March 2015 and 18 May 2015 and prospectus dated 24 April 2015.

13. EVENT AFTER THE REPORTING PERIOD

On 13 November 2015, Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with East Run Investments Limited (“**East Run**”), a company indirectly wholly owned by Wang On Group Limited, to acquire the entire equity interests in and the shareholder loans of Sunbo Investment Limited (“**Sunbo**”) and Good Excellent Limited (“**Good Excellent**”), both are wholly-owned subsidiaries of East Run and principally engaged in property investment in Hong Kong, at a total consideration of HK\$70,000,000 (subject to adjustment upwards or downwards within 20% with reference to the valuation of the properties owned by Sunbo and Good Excellent as at the date of completion to be valued by an independent valuer). Details of the transaction were set out in the Company's announcement dated 13 November 2015. The transaction is subject to the approval by the shareholders of the Company at a special general meeting.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six-month period ended 30 September 2015, the Group experienced significant improvement in its performance. Despite a modest decline in turnover of 1.1% from that of the previous year to approximately HK\$376.8 million (2014: approximately HK\$381.0 million), the Group reported approximately 488.7% upsurge in profit attributable to owners of the parent to approximately HK\$67.7 million (2014: approximately HK\$11.5 million). The significant increase in net profit was merely attributable to, among other things, the gain on bargain purchase of additional interest in an associate, despite the decrease in fair value of equity investments and loss on deemed partial disposal of equity interest in an associate.

(1) Chinese Pharmaceutical and Health food Products

Turnover for the period under review decreased by approximately 3.7% from that of the same period last year to approximately HK\$301.6 million. The operating environment during the period under review had been affected by the ongoing market downtrend and decline in mainland tourists' as well as the parallel traders spending.

Despite deterioration in macro environment of Hong Kong retail market since March 2015, the Group launched a marketing campaign for rejuvenation its flagship and prestigious product — Young Yum Pills (“YYP”) in the second quarter. Ms. Joyce Cheng, a famous local singer and the daughter of YYP's first generation product ambassador in 1970's, continues her father's legacy and re-interprets the TVC jingle. Besides, leveraging the power of digital media, Wai Yuen Tong introduced its digital loyalty program — “WYT Baby Club” in July 2015 aiming to support marketing of the Group's infant products. The program also serves to strengthen customer loyalty and push forward the Group's online business development. Several new products have been rolled out during the period under review with favorable market acceptance. Such products included Korean Red Ginseng series under Wai Yuen Tong's own brand and throat drop soft candy, catering for different market needs.

(2) Western Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 12.1% from that of the corresponding period of the previous year to approximately HK\$69.2 million. Strong sales of key product lines such as “Madame Pearl's” cough syrup, and healthy growth in both Mainland China and Hong Kong markets, resulted in robust financial contribution to the Group during the half-year period. Pearl's anti-mosquito products have been a leading brand of the category in Hong Kong for four consecutive years. Both “Madame Pearl's” and “Pearl's” products experienced strong growth momentum supported by diligent product development, effective advertising and innovative promotion effort as well as

intensified, product penetration of various sales channels. In future, we will continue to expand our revenue base via investments in China market and new product development. We have restructured the operation in China, placing more emphasis on institutional sales to hospital where there is an enormous demand for “Madame Pearl’s” cough syrup.

(3) Property Investment

On 24 April 2015, the Group entered into a provisional sale and purchase agreement for the sale and assignment of the entire issued share capital and the related shareholder loan of Smart Star Investments Limited (“**Smart Star**”), an indirect wholly-owned subsidiary of the Company, for a consideration of HK\$45.0 million. The principle asset of Smart Star was a property in North Point, Hong Kong. The disposal was completed on 23 July 2015.

After the disposal of the aforementioned, the Group owns eleven properties which are all retail premises. Currently, five of the properties are leased out for commercial purpose while six properties are occupied by the Group’s retail shops.

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

PNG, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, which is principally engaged in the businesses of property development in the PRC and retailing of the fresh pork meat and related produce in Hong Kong.

On 30 April 2015, the shareholding of the Group in PNG was diluted from 24.37% to 20.33% upon completion of the new issue placing of 220 million shares in PNG at a price of HK\$0.225 per PNG share and a deemed disposal loss of approximately HK\$37.1 million was recognised.

On 28 May 2015, the Group, through its wholly-owned subsidiaries, Hearty Limited and Suntech Investment Limited, executed an irrevocable undertaking in favour of PNG (as supplemented on 16 July 2015 and 30 July 2015) pursuant to which the Group agreed to fully subscribe for an aggregate of 674,418,750 rights shares under its provisional entitlement and apply for 380,000,000 rights shares by way of excess application, under the rights issue proposed by PNG in the proportion of five rights shares for every two PNG shares held at HK\$0.168 (which was subsequently changed to HK\$0.105 pursuant to the acknowledgment deed executed in favour of PNG on 16 July 2015) per rights share of PNG. The PNG rights issue was completed on 22 September 2015.

The Group’s share of profit of PNG amounted to approximately HK\$97.6 million including gain on bargain purchase of approximately HK\$88.9 million for the period under review (2014: approximately HK\$14.1 million). The improvement in results of PNG was mainly due to increase in profit realised from PNG’s sales of property in the PRC, despite the negative impact of loss on deemed disposal of an associate of PNG during the period under review.

No impairment on the Group’s investment in PNG was recognised by the Group during the period under review (2014: Nil) as the recoverable amount was assessed to be closed to the carrying value of the interest in PNG.

(5) Investment in China Agri-Products Exchange Limited (“CAP”)

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed up to a principal amount of HK\$720.0 million 10.0% coupon bonds due 2019 issued by CAP on 28 November 2014 (the “**2019 Bonds**”). As at 30 September 2015, the fair value of 2019 Bonds held by the Group amounted to approximately HK\$661.3 million (31 March 2015: approximately HK\$613.6 million).

(6) Equity investments at fair value through profit of loss

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 equity investments at fair value through profit or loss of approximately HK\$8.9 million for the period under review (2014: approximately HK\$29.7 million).

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

The Group has been granted a land lot in Yuen Long Industrial Estate for the construction of a state-of-the-art factory to manufacture both Western pharmaceutical and Chinese traditional medicines. The plant’s superstructure and fitting-out works are in progress and are expected to be completed by the end of 2015 or in early 2016, and it is expected that the whole factory construction will be completed in 2016. Operation is scheduled to commence in early 2017.

(8) Acquisitions of Properties after the Reporting Period

For the purpose of expansion of the Group’s manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited for the acquisition of a factory building and two dormitory buildings erected on the Land Lot No. G12204-0126 located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK\$81.3 million, completion of which is extended from 16 October 2015 to 31 December 2015, details of which were set out in the Company’s announcements dated 20 July 2015 and 20 October 2015, respectively.

In view of the increasing rental expenses, on 13 November 2015, the Group entered into a conditional sale and purchase agreement for the acquisition of two companies which are currently holding two shops located at Tsuen Wan and Sham Shui Po, both are currently used by the Group for retail purpose, for an aggregate consideration of HK\$70.0 million (subject to adjustment upwards or downwards within 20% with reference to the valuation of the such properties as at the date of completion to be valued by an independent valuer), completion of which is subject to, *inter alia*, approval by the shareholders of the Company, details of which were set out in the Company’s announcement dated 13 November 2015.

FINANCIAL REVIEW

Fund Raising

On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK\$0.108 per rights share and a total of 2,108,571,484 rights shares were issued. The net proceeds from the Rights Issue amounted to approximately HK\$222.4 million. The Group intended to utilise as to approximately HK\$70.0 million for the payment of construction costs of the Group's new factory at Yuen Long Industrial Estate for pharmaceutical manufacturing business, approximately HK\$60.0 million for potential property acquisition opportunities, approximately HK\$50.0 million for the repayment of bank borrowings and interests; and the remaining balance of approximately HK\$42.4 million for general working capital of the Group.

As at 30 September 2015, approximately HK\$70.0 million were utilised for the payment of construction costs for the Group's new factory, approximately HK\$50.0 million were applied for the repayment of bank borrowings and interests and approximately HK\$42.4 million were utilised for the Group's general working capital for the settlement to suppliers and salaries, and approximately HK\$16.3 million were utilised as the deposit for property acquisition. The balance of approximately HK\$43.7 million were being deposited in the Group's bank accounts and to be utilised as intended.

Liquidity and Gearing

As at 30 September 2015, the Group's total borrowings amounted to approximately HK\$594.3 million (31 March 2015: approximately HK\$550.1 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 25.0% (31 March 2015: approximately 27.0%). As at 30 September 2015, the Group's buildings and investment properties, with carrying value of approximately HK\$157.1 million and HK\$487.0 million (31 March 2015: approximately HK\$178.4 million and HK\$510.0 million), respectively, were pledged to secure the Group's general banking facilities.

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 and Hong Kong 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 2015, the Group had capital commitment of approximately HK\$182.0 million (31 March 2015: approximately HK\$249.5 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 2015, the Group had no material contingent liabilities (31 March 2015: Nil).

EMPLOYEES

As at 30 September 2015, the Group had 795 (31 March 2015: 757) employees, of whom approximately 72% (31 March 2015: approximately 71%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

PROSPECTS

The Group expects the market environment in the near future to remain challenging and difficult. We expect continue decline Mainland China tourist arrivals as well as spending, while local consumption sentiment will stay weak. The new travel restrictions to Hong Kong imposed by the Chinese government are expected to affect Mainland consumers' spending in the territory. In reaction to such impact, the Group has beefed up its online to offline platforms ("O2O") catering for cross-border procurement. Wai Yuen Tong online shop (位易網) just completed its revamping in November 2015.

Realising the strong potential of non-traditional sales channels for the Group's Chinese pharmaceutical and health food products, such as e-commerce, the Group will further increase its resources, including manpower, incentives, and advertising and promotion budget to develop these alternative sales channels, with the aim of developing a more diversified sales platform. The Group will also explore merger and acquisition opportunities to speed up its growth, by incorporating entities offering synergetic effect. The Group believes it can further strengthen its income base by broadening its business portfolio.

We are launching a series of ambitious marketing program for different range of flagship and high profit margin products. More emphasis is being placed on the Group's wholesale operations with an aim to support cross-border distribution.

The inauguration of the Group's modern manufacturing plant in Yuen Long, Hong Kong in early 2017, will provide the Group with the physical space and latest equipment to escalate its research and development capability and significantly enhance its production capacity.

Leveraging on the Group's long-established brand name and the reputation of Hong Kong-made products, the Group will further expand the range of products manufactured in Hong Kong to intensify market penetration.

To maintain the Group's efficiency and competitiveness, we have embarked on a series of measures to tighten out internal control for cost saving. Thorough review is being conducted to optimise efficiency in production process with minimum wastage. During the process, we are also making an effort to ensure that a tighter budget is achieved without compromising the quality of our products.

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 2015.

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 2015.

The Group is committed to maintaining a high standard of corporate governance within a sensible framework 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all directors, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the period under review and no incident of non-compliance by the directors was noted by the Company during the period.

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 the unaudited condensed consolidated financial statements for the six months ended 30 September 2015 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Li Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (www.hkexnews.hk) and the Company at (www.wyth.net). The 2015 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 19 November 2015

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. Cho Wing Mou and Mr. Li Ka Fai, David.

* *For identification purpose only*