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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

TANG Ching Ho *Chairman*
CHAN Chun Hong, Thomas *Managing Director*

Non-executive Director

LEUNG Wai Ho

Independent non-executive Directors

SIU Man Ho, Simon
YUEN Chi Choi
CHO Wing Mou

AUDIT COMMITTEE

YUEN Chi Choi *Chairman*
SIU Man Ho, Simon
CHO Wing Mou

REMUNERATION COMMITTEE

SIU Man Ho, Simon *Chairman*
YUEN Chi Choi
CHO Wing Mou

COMPANY SECRETARY

CHAN Chun Hong, Thomas

QUALIFIED ACCOUNTANT

LAO Wai Keung

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
United Commercial Bank

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Preston Gates Ellis

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

REGISTRAR IN HONG KONG

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

INTERNET ADDRESS

http://www.wyth.net

STOCK CODE

897

INTERIM RESULTS

The Board of Directors (the "Directors") 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 2005 together with the comparative figures for the corresponding period in 2004 (restated). These condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	*HK$'000*	*HK$'000*
TURNOVER	4	163,413	139,824
Cost of sales		(95,089)	(63,145)
Gross Profit		68,324	76,679
Other operating income		2,275	1,960
Selling and distribution costs		(60,777)	(45,654)
Administrative expenses		(41,844)	(38,765)
Finance costs	5	(4,016)	(2,011)
Share of results of associates		571	(2,298)
LOSS BEFORE TAXATION	6	(35,467)	(10,089)
Income tax	7	—	(1,172)
LOSS FOR THE PERIOD		(35,467)	(11,261)
ATTRIBUTABLE TO:			
Equity holders of the parent		(34,818)	(11,509)
Minority interests		(649)	248
		(35,467)	(11,261)
LOSS PER SHARE			
Basic	8	(HK$0.06)	(HK$0.04)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	Notes	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Restated) HK$'000
NON-CURRENT ASSETS			
Investment properties		19,000	41,200
Property, plant and equipment	9	250,159	250,648
Prepaid lease payments on land use rights		2,403	2,428
Goodwill		296,516	296,516
Interests in associates	11	15,442	12,991
Trademarks		1,049	737
Total non-current assets		584,569	604,520
CURRENT ASSETS			
Inventories		77,126	68,897
Trade and other receivables	12	61,247	90,733
Prepaid lease payments on land use rights		50	50
Amounts due from associates	11	13,208	20,069
Tax recoverable		95	—
Bank balances and cash		52,667	43,545
Total current assets		204,393	223,294
CURRENT LIABILITIES			
Trade and other payables	13	40,821	64,367
Tax payable		—	830
Obligations under finance leases		389	316
Bank borrowings		45,778	30,430
Deferred franchise income		283	283
Convertible loan stocks		6	6
Total current liabilities		87,277	96,232
NET CURRENT ASSETS		117,116	127,062
TOTAL ASSETS LESS CURRENT LIABILITIES		701,685	731,582

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 September 2005

	Notes	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Restated) *HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		257	278
Bank borrowings		118,151	112,756
Deferred franchise income		18	108
Convertible notes		14,043	13,754
Deferred taxation		3,349	3,352
Total non-current liabilities		135,818	130,248
		565,867	601,334
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Share capital	14	3,491	34,909
Reserves		555,148	558,548
		558,639	593,457
Minority interests		7,228	7,877
		565,867	601,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Attributable to equity holders of the parent									
	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Special reserve (Unaudited) *HK$'000* *(Note a)*	General reserve (Unaudited) *HK$'000* *(Note b)*	Translation reserve (Unaudited) *HK$'000*	Convertible notes reserve (Unaudited) *HK$'000*	Accu-mulated losses (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 April 2004										
- as originally stated	55,277	128,984	(27,150)	182,158	–	–	14,424	353,693	212	353,905
- effects of changes in accounting policies *(notes 2 and 3)*	–	–	–	–	–	11,000	(2,404)	8,596	–	8,596
- as restated	55,277	128,984	(27,150)	182,158	–	11,000	12,020	362,289	212	362,501
Reduction in share capital	(49,750)	–	–	41,878	–	–	7,872	–	–	–
Issue of rights shares	16,583	248,748	–	–	–	–	–	265,331	–	265,331
Issue of bonus shares	5,528	–	–	(5,528)	–	–	–	–	–	–
Issue of shares expenses	–	(10,123)	–	–	–	–	–	(10,123)	–	(10,123)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(19)	(19)
Transfer due to redemption of the convertible notes	–	–	–	–	–	(11,000)	3,363	(7,637)	–	(7,637)
Acquisition from minority shareholders	–	–	–	–	–	–	–	–	(331)	(331)
Loss for the period (restated)	–	–	–	–	–	–	(11,509)	(11,509)	248	(11,261)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 September 2005

	Attributable to equity holders of the parent									
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Special reserve (Unaudited) HK$'000 (Note a)	General reserve (Unaudited) HK$'000 (Note b)	Translation reserve (Unaudited) HK$'000	Convertible notes reserve (Unaudited) HK$'000	Accu-mulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 30 September 2004	27,638	367,609	(27,150)	218,508	–	–	11,746	598,351	110	598,461
Exchange adjustment arising from translation of foreign subsidiaries outside HK and not recognised in the income statement	–	–	–	–	480	–	–	480	–	480
Loss for the period (restated)	–	–	–	–	–	–	(56,449)	(56,449)	(500)	(56,949)
Total recognised income and expenses for the period	–	–	–	–	480	–	(56,449)	(55,969)	(500)	(56,469)
Issue of rights shares	7,271	42,610	–	–	–	–	–	49,881	–	49,881
Issue of shares expenses	–	(1,076)	–	–	–	–	–	(1,076)	–	(1,076)
Acquisition of subsidiaries with minority interests	–	–	–	–	–	–	–	–	8,267	8,267
Recognition of equity component of convertible loan notes	–	–	–	–	–	2,270	–	2,270	–	2,270
At 31 March 2005 (restated)	34,909	409,143	(27,150)	218,508	480	2,270	(44,703)	593,457	7,877	601,334
Capital reduction	(31,418)	–	–	–	–	–	31,418	–	–	–
Loss for the period	–	–	–	–	–	–	(34,818)	(34,818)	(649)	(35,467)
At 30 September 2005	3,491	409,143	(27,150)	218,508	480	2,270	(48,103)	558,639	7,228	565,867

Notes:

a. The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganization in 1995.

b. The general reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of the bonus issue of shares by the Company.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
NET CASH (USED IN) OPERATING ACTIVITIES	(20,294)	(36,948)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	12,270	(112,308)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	8,144	219,614
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	120	70,358
Cash and cash equivalents at beginning of period	43,102	27,580
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	43,222	97,938
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	52,667	100,254
Bank overdrafts	(9,445)	(2,316)
	43,222	97,938

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 "Stock Exchange") and with Hong Kong Accounting Standard ("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 on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting polices 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 2005.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting polices in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(a) Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity compoonents) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative loss for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

(b) Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualities for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 April 2005 onwards. As a result, the Group's bills receivables discounted with full recourse which were derecognised prior to 1 April 2005 have not been restated. As at 30 September 2005, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of approximately HK$1,921,000 have been recognised on the balance sheet date. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. This change in accounting policy has had no material effect on the results for the current accounting period.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The Group anticipates that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosure[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK (IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease[2]
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK (IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described in note 2 on the results for the current and previous period are as follows:

	For the six months ended 30 September 2005 HK$'000	2004 HK$'000
Increase in interest on liability component of convertible notes	289	959

The financial effects of the application of the new HKFRSs to the Group as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	Effect of HKAS 1	Effect of HKAS 17	Effect of HKAS 32	As at 31 March 2005 and 1 April 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items effected:					
Property, plant and equipment	253,126	—	(2,478)	—	250,648
Prepaid lease payments	—	—	2,478	—	2,478
Convertible notes	(16,000)	—	—	2,246	(13,754)
Other assets and liabilities	361,962	—	—	—	361,962
Total effects on assets and liabilities	599,088	—	—	2,246	601,334
Share capital and other reserves	635,890	—	—	—	635,890
Convertible notes reserve	—	—	—	2,270	2,270
Accumulated loss	(44,679)	—	—	(24)	(44,703)
Minority interests	—	7,877	—	—	7,877
Total effects on equity	591,211	7,877	—	2,246	601,334
Minority interests	7,877	(7,877)	—	—	—
	599,088	—	—	2,246	601,334

The financial effects of the application of the new HKFRSs to the Group's equity as at 1 April 2004 are summarised below:

	As originally stated	Effect of HKAS 1	Effect of HKAS 32	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital and other reserves	339,269	—	—	339,269
Convertible notes reserve	—	—	11,000	11,000
Accumulated loss	14,424	—	(2,404)	12,020
Minority interests	—	212	—	212
Total effects on equity	353,693	212	8,596	362,501
Minority interests	212	(212)	—	—
	353,905	—	8,596	362,501

4. Segment information

(a) By business segments *(figures in 2005 & 2004 are unaudited)*

	Production and Sale of Chinese pharmaceutical and health food products		Production and Sale of bottled bird's nest drinks and herbal essence		Sale of Western pharmaceutical and health food products		Property investment and property holding		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004 (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*
Turnover												
Sales to external customers	120,984	99,554	19,069	5,977	22,368	33,705	992	588	–	–	163,413	139,824
Intersegment sales	101	–	4,565	1,343	246	–	4,019	1,020	(8,931)	(2,363)	–	–
Turnover	121,085	99,554	23,634	7,320	22,614	33,705	5,011	1,608	(8,931)	(2,363)	163,413	139,824
Contribution to (loss) profit from operations	(9,135)	3,138	(3,194)	1,108	123	6,765	263	(441)	–	–	(11,943)	10,570
Amortisation of goodwill											–	(8,888)
Release of negative goodwill											11	55
Unallocated corporate expenses											(20,090)	(7,517)
Loss from operations											(32,022)	(5,780)
Finance costs											(4,016)	(2,011)
Share of results of associates (including amortisation of goodwill)											571	(2,298)
Loss before taxation											(35,467)	(10,089)
Income tax											–	(1,172)
Loss for the period											(35,467)	(11,261)

(b) By geographical segments

	Turnover	
	For the six months ended 30 September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Hong Kong	130,499	99,494
People's Republic of China ("PRC"), other than Hong Kong	9,312	29,661
Singapore	14,638	3,633
United States of America	2,445	1,448
Others	6,519	5,588
	163,413	139,824

5. Finance costs

	For the six months ended 30 September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited and restated) *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	1,700	407
Bank borrowings wholly repayable over five years	1,760	117
Loan from a shareholder	—	34
Finance leases	26	9
Effective interest on convertible notes	530	1,444
	4,016	2,011

6. Loss before taxation

	For the six months ended 30 September 2005 (Unaudited) *HK$'000*	2004 (Unaudited and restated) *HK$'000*
Loss before taxation has been arrived after charging:		
Allowance for inventories	1,625	—
Amortisation of goodwill, included in administrative expenses	—	8,888
Depreciation and amortisation of:		
— trademarks	42	43
— property, plant and equipment	9,347	2,970
— prepaid lease payments	25	—
Impairment on trade receivables	2,932	—
and after crediting:		
Gain on disposal of investment properties	800	—
Interest income	332	45
Release of negative goodwill	11	55
Recognition of deferred franchise income	248	499

7. Income tax

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	—	949
Other jurisdictions	—	165
	—	1,114
Deferred taxation	—	58
	—	1,172

No provision for Hong Kong Profits Tax, PRC Income Tax and other jurisdictions income tax have been provided for the current period as the Group has no assessable profit.

For the six months ended 30 September 2004, Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the period.

PRC Income Tax is calculated at 27% on the estimated assessable profit.

Taxation arising in other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

8. Loss per share

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the loss for the period of HK$34,818,000 (2004: HK$11,509,000) and the weighted average of 552,918,776 (2004: 281,834,441) ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for both periods have been retrospectively adjusted for the capital reorganization approved by the shareholders of the Company on 8 June 2005 and the effect of the rights issue approved by the shareholders of the Company on 16 November 2005.

The computation of diluted loss per share for the six months ended 30 September 2005 and 30 September 2004 respectively does not assume (i) the conversion of the outstanding convertible notes of the Company since their exercise would result in a decrease in the net loss per share and (ii) the exercise price of the outstanding options of the Company as at 30 September 2004 as the exercise price of those options is higher than the average market shares of the Company on the Stock Exchange.

9. Property, plant and equipment

During the six months ended 30 September 2005, the Group acquired property, plant and equipment for an amount of approximately HK$8,081,000 (six months ended 30 September 2004: HK$24,827,000).

10. Pledge of assets

At 30 September 2005, the Group had pledged its leasehold land and buildings of approximately HK$186,094,000 (31 March 2005: HK$188,406,000) and investment properties of approximately HK$19,000,000 (31 March 2005: HK$41,200,000) to banks to secure general banking facilities granted to the Group.

11. Interest in associates/Amounts due from associates

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Share of net assets	5,942	5,741
Amount due from an associate after one year	9,500	7,250
	15,442	12,991
Amounts due from associates within one year	13,208	20,069

12. Trade and other receivables

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date:

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
0 - 30 days	15,038	24,285
31 - 60 days	15,365	14,749
61 -120 days	9,580	25,366
Over 120 days	7,326	12,794
	47,309	77,194
Other receivables	13,938	13,539
	61,247	90,733

13. Trade and other payables

The following is an aging analysis of trade payables at the balance sheet date:

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
0 - 30 days	9,009	13,302
31 - 60 days	3,706	10,615
61 - 120 days	1,144	5,668
Over 120 days	1,154	1,910
	15,013	31,495
Other payables	25,808	32,872
	40,821	64,367

14. Share Capital

	Number of shares Issued	Amount (Unaudited) *HK$'000*
Authorised:		
At 1 April, 2005 and 30 September 2005, ordinary shares of HK$0.01 each	60,000,000,000	600,000
Issued and fully paid:		
At 1 April 2005, ordinary shares of HK$0.01 each	3,490,869,225	34,909
Capital reorganisation	(3,141,782,303)	—
Adjustment on nominal value	—	(31,418)
At 30 September 2005, ordinary shares of HK$0.01 each	349,086,922	3,491

Note:

Pursuant to a resolution passed in a special general meeting on 8 June 2005, the Group carried out the following capital reorganisation ("Capital Reorganisation") which involved inter-alia:

— Every ten issued shares of HK$0.01 each were consolidated into one share of HK$0.10 each;

— The nominal value of the issued ordinary shares of the Company was reduced from HK$0.10 each to HK$0.01 each by cancellation of HK$0.09 each of the capital paid up thereon ("Capital Reduction"); and

— Approximately HK$31,418,000 arising from the Capital Reduction was transferred to accumulated losses.

Details of the Capital Reorganisation were set out in the circular to the shareholders of the Company dated 13 May 2005.

15. Operating lease arrangements

(a) The Group as lessor

Property rental income earned during the period was approximately HK$993,000 (2004: HK$588,000 for the six months ended 30 September 2004). The properties held have committed tenants for the next one year.

At 30 September 2005, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Within one year	1,215	588
In the second to fifth years, inclusive	—	—
	1,215	588

(b) *The Group as lessee*

The Group made minimum lease payments of approximately HK$12,822,000 (HK$7,971,000 for the six months ended 30 September 2004) under operating lease during the period in respect of office properties and retail shops.

At 30 September 2005, the Group had outstanding commitments under non-cancelling operating leases, which fall due as follows:

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Within one year	30,313	31,655
In the second to fifth years, inclusive	21,877	29,502
	52,190	61,157

Operating lease payments represent rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for a term ranging from 1 to 3 years. Certain lease rentals are based on turnover of the relevant retail shops.

16. Capital Commitments

At 30 September 2005, the Group had capital commitments of approximately HK$535,000 (31 March 2005: HK$834,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

In addition, the Group had capital commitments not provided for in the financial statements being the consideration for the acquisition of CNT Health Food Pte. Ltd. ("CNT"), which is subject to adjustments on the audited net profit of CNT after taxation for the two years ending 31 March 2006, with a maximum consideration payable of HK$8,100,000 (31 March 2005: HK$8,100,000).

On 15 September 2005, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 8% equity interest of Dongguan Senox Industrial Co., Ltd., Dongguan Senox Agricultural Products Co., Ltd. and Dongguan Senox Logistics Co., Ltd. (hereinafter collectively referred to as the "Senox Group") for an aggregate consideration of HK$24,000,000. The Senox Group is principally engaged in the investment in and management and provision of logistics services to owners and tenants of an agricultural products distribution centre in Dongguan, the PRC. The transaction is not completed as at the date of this report. Details of the acquisition of Senox Group were set out in the circular to the shareholders of the Company dated 7 October 2005.

17. Contingent Liabilities

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Bills discounted with recourse	—	807
Guarantees given in respect of facilities granted to:		
— a third party	—	3,679
— an associate	2,250	—
	2,250	4,486

18. Events After the Balance Sheet Date

Subsequent to the interim reporting date, the following significant events took place:

(a) On 4 October 2005, the Group entered into a conditional sale and purchase agreement for the disposal of investment property with a carrying amount of HK$9,900,000 at 30 September 2005 for a consideration of HK$9,800,000. The disposal will be completed on or before 6 February 2006. Details of the disposal of the investment property were set out in the circular to the shareholders of the Company dated 26 October 2005.

(b) On 6 December 2005, a rights issue on the basis of three shares for every one share held ("Rights Share") by the shareholders on the register of members as at 16 November 2005 at an issue price of HK$0.15 per Rights Share was completed, resulting in the issue of 1,047,260,766 shares of HK$0.01 each for a net consideration, after deducting all the expenses, of approximately HK$152,100,000.

The above rights issue was approved by the shareholders of the Company at a special general meeting held on 16 November 2005. Details of which were set out in the circular to the shareholders of the Company dated 31 October 2005.

19. Related party transactions

The Group had the following transactions with related parties during the period:

	Name of related party	Transactions		For the six months ended 30 September 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
(1)	CONNECTED PARTIES				
	Wang On Group Limited and its subsidiaries (the "Wang On Group")	Interest on term loans paid by the Group	*(Note i)*	—	34
		Interest on convertible notes paid by the Group	*(Note ii)*	240	485
		Management fee paid by the Group	*(Note iii)*	438	504
		Rental and building management fee paid by the Group	*(Note iv)*	—	2,355
		Rental income received by the Group	*(Note iv)*	993	588
		Acquisition of a subsidiary	*(Note v)*	—	65,354
(2)	RELATED PARTIES OTHER THAN CONNECTED PARTIES				
	Associates	Sale of Chinese pharmaceutical products by the Group	*(Note vi)*	15,618	31,611
		Management advertising and promotion frees received by the Group	*(Note vi)*	1,259	2,350
		Facilities granted by the Group	*(Note vii)*	8,500	10,000
		Interest income received by the Group	*(Noted viii)*	183	—

Notes:

(i) Interest were calculated at 2% per annum.

(ii) Interest was calculated at the respective rates in accordance with the relevant convertible notes.

(iii) The transactions were based on terms mutually agreed between both parties.

(iv) The transactions were entered into in accordance with the relevant lease agreements. The monthly rental of the properties was equivalent to the open market rental value at the date entering the agreements as certified by an independent firm of professional valuer in Hong Kong.

(v) The entire interests of WOD Investments Limited was acquired by the Group at a consideration of HK$65,400,000. The consideration was based on mutually agreed between both parties.

(vi) The transactions were entered in accordance with the relevant franchise agreements.

(vii) On 19 August 2005, the Company had granted general facilities of HK$8,500,000 to Hunan Xiangya Pharmaceutical Co., Limited ("Xiangya") . Xiangya is an associate company of the Company.

(viii) Interest is calculated at 4% to 6.5% per annum.

(3) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employment benefits	**2,842**	2,647
Post-employment benefits	**46**	46
	2,888	2,693

20. Comparative figures

Due to the application of the new/revised HKFRSs and HKASs for the current period, the accounting treatment and presentation of certain items on the financial statements have been revised to comply with the new requirements. Accordingly, certain figures of the previous year have been adjusted and certain comparative figures have also been reclassified to conform with the new/revised HKFRSs.

21. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 16 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

BUSINESS REVIEW

For the six months ended 30 September 2005, the Group achieved a turnover of approximately HK$163.4 million, representing a year-on-year increase of approximately 17% (2004: HK$139.8 million). Gross profit was approximately HK$68.3 million (2004: HK$76.7 million), representing a decrease of approximately 11%. The Group recorded a loss attributable to the equity holders of the Company for the six months ended 30 September 2005 of approximately HK$34.8 million (2004: HK$11.5 million).

The Group's performance reflects that although the local economy was in a reasonably stable footing, the retail environment remains highly competitive and challenging under pressure of rising rental and labour costs and the keen competition amongst the various competitors. The "Disney effect" on the retail market failed to materialize. This together with the market uncertainty due to the possibility of an avian flu outbreak has dampened retail sales in Hong Kong.

During the period under review, the Group opened 5 new retail outlets, bringing the total of retail outlets to 62, of which 14 are franchised outlets which are located in Mainland China.

(I) Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong")

Turnover for the period under review reached a record high of HK$120.1 million (2004: HK$99.6 million), representing an increase of approximately 21% as compared with the corresponding six-month period last year.

Wai Yuen Tong's Chinese pharmaceutical and health products business attained steady growth both in Hong Kong. Wai Yuen Tong expects to obtain the Chinese Medical Good Manufacturing Practice Certificate, which is still being validated, by early 2006.

(II) Luxembourg Medicine Company Limited ("Luxembourg")

Luxembourg's western pharmaceutical and health products business in Hong Kong has been growing steadily. Its market share in Guangdong Province has established a solid basis and Luxembourg is planning to enlarge its market share in the northeastern region of Mainland China.

(III) CNT Health Food Pte Limited ("CNT")

CNT's business maintained its growth momentum. Turnover for the period under review was HK$19.1 million (2004: HK$6.0 million), representing an increase of over 218% as compared with the corresponding six-month period last year.

CNT is one of the largest bottled bird's nest products manufacturers in Singapore. It is principally engaged in the manufacture and sale of bird's nest products. It also provides a diverse range of high quality health products such as hashima, herbal essence and herbal jelly, etc.

CNT has obtained Hazard Analysis Critical Control Points ("HACCP"), an internationally-recognized codex standard on food safety and quality. In view of this, CNT will secure market share in Singapore and will be expanding its market to Hong Kong and Mainland China.

FINANCIAL REVIEW

(I) Capital Reorganisation

The capital reorganization was made on 9 June 2005 whereby (i) every ten issued and unissued shares of HK$0.01 each were consolidated into one share of HK$0.10 each; (ii) the nominal value of the issued shares after the consolidation were reduced from HK$0.10 each into HK$0.01 each; and (iii) the credit of approximately HK$31.4 million arising from the capital reduction was being utilized for the setting off the accumulated losses of the Company.

(II) *Liquidity, Capital Structure and Gearing*

As at 30 September 2005, the Group's total borrowings amounted to HK$178.5 million (31 March 2005: HK$157.6 million) which included bank borrowings and overdrafts of HK$163.9 million (31 March 2005: HK$143.2 million), long term convertible notes of HK$14.0 million (31 March 2005:HK$13.8 million) and obligations under finance lease of HK$0.6 million (31 March 2005: HK$0.6 million) respectively.

The gearing ratio, defined as the ratio of the total borrowings to equity attributable to equity holders, as at 30 September 2005, was approximately 32% (31 March 2005: 27%).

The Group's investment properties and fixed assets with an aggregate net book value of HK$205.1 million (31 March 2005: HK$229.6 million) were pledged to banks to secure the Group's general banking facilities. Approximately HK$87.8 million (31 March 2005: HK$85.1 million) of the general banking facilities which was utilized as at 30 September 2005.

(III) *Foreign Exchange*

There is no material foreign exchange exposure to the Group. 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 2005 amounted to approximately HK$2.3 million (31 March 2005: HK$4.5 million).

(V) *Rights Issue*

A resolution was passed by the shareholders of the Company at a special general meeting on 16 November 2005 to approve the allotment of 1,047,260,766 rights shares at a price of HK$0.15 per rights shares on the basis of three rights shares for every existing Company's share.

The rights issue was completed on 6 December 2005 and net proceeds of approximately HK$152.1 million was received.

DISCLOSURE OF INTERESTS

(I) *Director's Interests in Shares*

As at 30 September 2005, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Future Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 9 of Part XV of the SFO (including any interests and short positions which was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange.

(II) *Substantial Shareholders*

As at 30 September 2005, the following (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests of short positions in the shares of underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

Ordinary shares at HK$0.01 each

	Number of shares *(Note 1)*	Percentage *(Note 3)*
Wang On *(Notes 2 & 4)*	119,732,331	32.44%
Wang On Enterprises (BVI) Limited ("WOE")	119,732,331	32.44%
Rich Time Strategy Limited ("Rich Time") *(Notes 2 & 4)*	119,732,331	32.44%

Notes:

1. It denotes a long position in shares.

2. Rich Time is wholly owned by WOE, which is wholly owned by Wang On, a company with limited liability and the shares of which are listed on the HKEX. WOE and Wang On are deemed to be interested in 119,732,331 shares by Rich Time.

3. The percentage represented the number of shares over the total of the share capital of the Company as at 31 March 2005 of 99,732,331 shares and 20,000,000 shares issuable upon conversion of the convertible notes held by Rich Time.

4. According to the results announcement of the Rights Issues on 7 December 2005, the total number of shares deemed to be interested by Rich Time is 716,209,324 shares, representing 50.1% of 1,428,347,688 shares, the enlarged issued share capital of the Company (assuming the convertible notes hold by Rich Time has been fully converted).

Save as disclosed above, as at 30 September 2005, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register maintained under section 336 of the SFO.

CORPORATE GOVERNANCE

(I) General

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviations:

(a) Code Provision A.1.7

This code provision stipulates that there should be a procedure agreed by the board to enable directors, upon reasonable requests, to seek independent professional advice in appropriate circumstances at the issuer's expense.

To comply with this provision, the Board of the Company has established in September 2005 a procedure to enable its Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

(b) Code Provisions A.4.1 and A.4.2

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Certain Non-executive Directors of the Company had no fixed term of office prior to 12 August 2005, but retired from office on a rotational basis in accordance with the relevant provision of the Company's Bye-laws. According to the Bye-laws of the Company in effect before 12 August 2005, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number was not three or a multiple of three, then the number nearest to but not greater than one-third) should retire from office by rotation, provided that no Director holding the office as the Chairman and/or as the Managing Director should be subject to retirement by rotation. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting of the Company and should then be eligible for re-election at the meeting.

To fully comply with the code provision A.4.1, those Non-executive Directors of the Company were appointed for a specific term on 12 August 2005 but subject to the relevant provisions of the Bye-laws of the Company or any other applicable laws whereby the Directors shall vacate or retire from their office. In addition, to ensure full compliance with the code provision A.4.2, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the annual general meeting of the Company held on 12 August 2005.

(c) Code Provision A.5.4

This code provision stipulates that the board should establish written guidelines on no less exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules for the relevant employees, who are likely to be in possession of the unpublished price sensitive information in relation to the issuer or its securities, in respect of their dealings in the securities of the issuer.

To comply with this code provision, in September 2005 the Company adopted the Model Code for securities transactions by certain employees of the Group who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

(d) Code Provisions B.1.1 and B.1.4

Code provision B.1.1 stipulates the establishment of a remuneration committee with specific written terms of reference as set out in the provision, and code provision B.1.4 stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

In September 2005, a remuneration committee (the "Remuneration Committee") with specific written terms of reference was established in order to comply with code provisions B.1.1 and B.1.4.

(e) Code Provisions C.3.3 and C.3.4

Code provision C.3.3 stipulates that the terms of reference of the audit committee should include at least those duties as set out in the provision, and code provision C.3.4 stipulates that the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

The terms of reference of the Audit Committee of the Company were revised in September 2005 to comply with the code provisions C.3.3 and C.3.4.

(f) Code Provision D.1.2

This code provision stipulates that an issuer should formalize the functions reserved to the board and those delegated to the management and should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

The respective functions of the Board and the management of the Company have been formalized and set out in writing which was approved by the Board in September 2005. The Board will review the same once a year.

(II) Model Code on Securities Transactions by Directors

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 effective 12 January 2005. The Company has made specific enquiries to all Directors and confirmed that they have complied with the required standards set out in the Model Code.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees was adopted by the Company on 6 July 2005.

(III) Audit Committee

The Audit Committee, with terms and reference in compliance with the provisions set out in the Code of Corporate Governance Practices, comprises three members who are all Independent Non-executive Directors, namely, Mr. Yuen Chi Choi (Chairman of the Audit Committee), Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Group's interim report for the six months ended 30 September 2005 has been reviewed by the Audit Committee.

OTHER INFORMATION

(I) Purchase, Sale and Redemption of Shares

During the six months ended 30 September 2005, there was no purchase, sale or redemption of the Company's listed shares by the Company or any its subsidiaries.

(II) Financial Assistance to Affiliated Companies and their Proforma Combined Balance Sheet

As at 30 September 2005, the Group had provided financial assistance to, and guarantees for certain affiliated companies amounting to HK$18.4 million in aggregate exceeding 8% of the market capitalization of HK$105.8 million. In accordance with Rule 13.22 of the Listing Rules, the proforma combined balance sheet of the Group's attributable interests in these affiliated companies as at 30 September 2005 are set out as follows:

	30 September 2005	
	Proforma combined balance sheet HK$m	The Group's attributable interests HK$m
Non-current assets	24.4	9.7
Current assets	20.7	8.9
Current liabilities	16.7	7.1
Net current assets	4.0	1.8
Total assets less current liabilities	28.4	11.5
Non-current liabilities	14.2	5.6
Net assets	14.2	5.9

(III) Rules 13.20 of the Listing Rules

The following disclosures in respect of advances to entities are made in accordance with the disclosure requirement of Rule 13.20 of the Listing Rules.

At 30 September 2005, the Group had accounts receivable due from Dairy Farm Group amounted to HK$13.0 million in aggregate, which exceeded 8% of the market capitalisation HK$105.8 million of the Company.

The trade receivables arose from the sale of pharmaceutical products by the Group in its usual and ordinary course of business and are governed by normal commercial terms agreed with each of the above customers on an arm's length basis. The above trade receivables are interest-free and unsecured. The repayment or credit terms of the above trade receivables are short term and granted in line with the Group's credit policy.

To the best of the knowledge of the directors of the Company, the above customer is an independent third party that is not connected in any way with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or associates.

(IV) Management and Staff

As at 30 September 2005, the Group had over 530 employees, around 73% of whom were located in Hong Kong. Staff requirement is regularly monitored with reference to the actual needs of the Group. Remuneration packages, which comprise salaries, provident fund contributions and medical benefits, are periodically reviewed based on market trends, performance appraisals, working experience and industry practice and then approved by the executive directors.

(V) Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company or its subsidiaries with effect from 18 September 2003. At the balance sheet date, the Board of Directors has not granted any options under the Scheme to the directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company and no outstanding share options was to be exercised.

PROSPECTS

In light of positive economic outlook and the Group's continuous efforts in refining business strategy, the management is cautiously optimistic on the long-term business performance of the Group despite the challenges posed by the general increase in costs and the possibility of an outbreak of avian flu. The Group believes that the commitment to provide quality products to our customers can lead the Group through the challenging retail environment.

By Order of the Board
Tang Ching Ho
Chairman

Hong Kong, 16 December 2005

As at the date of this report, the Board comprises two executive Directors, namely Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, a non-executive Director, namely Mr. Leung Wai Ho, and three independent non-executive Directors, namely Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou.