



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)

SUMMARISED ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

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 30th September 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2004

		Six months ended 30th September 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
Turnover	3	139,824	157,042
Cost of sales		(63,145)	(92,229)
Gross profit		76,679	64,813
Other operating income		1,960	2,559
Distribution costs		(42,181)	(38,533)
Administrative expenses		(42,238)	(41,290)
Loss from operations	4	(5,780)	(12,451)
Finance costs		(1,052)	(4,893)
Share of results of associates		(502)	(187)
Amortisation of goodwill of an associate		(1,796)	—
Loss before taxation		(9,130)	(17,531)
Taxation	5	(1,172)	(461)
Loss before minority interests		(10,302)	(17,992)
Minority interests		(248)	(4)
Loss for the period		(10,550)	(17,996)
Loss per ordinary share	6		
– Basic		(0.6 cents)	(7.8 cents)

Notes:

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Statement of Standard Accounting Practice (“SSAP”) No. 25 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2004.

3. Segment information

(a) Business segments

An analysis of the Group’s turnover and operating results by business segments is as follows:

By principal activity

Six months ended 30th September 2004	Chinese pharmaceutical and health products business (Unaudited) HK\$’000	Western pharmaceutical and health products business (Unaudited) HK\$’000	Others (Unaudited) HK\$’000	Eliminations (Unaudited) HK\$’000	Consolidated Total (Unaudited) HK\$’000
Turnover					
Sales to external customers	105,531	33,705	558	–	139,824
Intersegment sales	–	–	1,020	(1,020)	–
Total	<u>105,531</u>	<u>33,705</u>	<u>1,608</u>	<u>(1,020)</u>	<u>139,824</u>
Contribution to profit (loss) from operation	<u>2,246</u>	<u>4,765</u>	<u>(441)</u>	<u>–</u>	6,570
Amortisation of goodwill					(8,888)
Amortisation of negative goodwill					55
Unallocated corporate expenses					(3,517)
Loss from operation					(5,780)
Finance costs					(1,052)
Share of profits and loss of associates (including amortisation of goodwill)					(2,298)
Loss before taxation					(9,130)
Taxation					(1,172)
Loss before minority interests					(10,302)
Minority interests					(248)
Loss for the period					<u>(10,550)</u>

Six months ended 30th September 2003	Continuing operations		Discontinued operations		Others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated Total (Unaudited) HK\$'000
	Chinese pharmaceutical and health products business (Unaudited) HK\$'000	Western pharmaceutical and health products business (Unaudited) HK\$'000	Assembly of watches and manufacture of cases (Unaudited) HK\$'000	Retail of complete watches and bags (Unaudited) HK\$'000			
Turnover							
Sales to external customers	62,283	5,639	53,067	35,987	66	–	157,042
Intersegment sales	–	–	15,466	135	108	(15,709)	–
Turnover	<u>62,283</u>	<u>5,639</u>	<u>68,533</u>	<u>36,122</u>	<u>174</u>	<u>(15,709)</u>	<u>157,042</u>
Contribution to profit (loss) from operation	<u>494</u>	<u>2,310</u>	<u>546</u>	<u>(3,848)</u>	<u>(128)</u>	<u>–</u>	(626)
Amortisation of goodwill							(5,710)
Amortisation of negative goodwill							–
Unallocated corporate expenses							<u>(6,115)</u>
Loss from operation							(12,451)
Finance costs							(4,893)
Share of profits and losses of associates							<u>(187)</u>
Loss before taxation							(17,531)
Taxation							<u>(461)</u>
Loss before minority interests							(17,992)
Minority interests							<u>(4)</u>
Loss for the period							<u>(17,996)</u>

(b) *Geographical segments*

An analysis of the Group's turnover by geographical segments is as follows:

	Turnover	
	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Hong Kong	99,494	68,242
People's Republic of China ("PRC"), other than Hong Kong	29,661	42,452
United States	1,448	24,199
Singapore	3,633	–
Others	5,588	22,149
	<u>139,824</u>	<u>157,042</u>

No contribution to operating profit from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

4. Loss from operations

	Six months ended 30th September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operations has been arrived after charging: Amortisation of goodwill, included in administrative expenses	8,833	5,710
Depreciation and amortisation of trademarks, property, plant and equipment	3,013	4,097
Interest income	(45)	(19)

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong for the period.

No provision for PRC and Macau income tax has been made as there was no assessable profit subject to PRC and Macau income tax for the period.

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

6. Loss per ordinary share

The calculation of basic loss per ordinary share is based on the loss for the period of HK\$10,550,000 (2003: HK\$17,996,000) and the weighted average of 1,779,370,169 (2003 restated: 230,914,207) ordinary shares in issue during the period as adjusted to reflect the rights issue, bonus issue and share consolidation during the period.

The diluted earnings per share for the period ended 30th September 2004 and 30th September 2003 have not been disclosed as no dilutive events existed during the periods.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2004 (2003: Nil).

BUSINESS REVIEW

The Directors are pleased to announce that the Group's Chinese and western pharmaceutical and health products business have continued to grow satisfactorily. The total turnover and total contribution attributable to the Group's profit from this business (including its operations) for the 6 months ended 30th September 2004 under review increased to HK\$139.2 million (2003: HK\$67.9 million) and HK\$7.0 million (2003: HK\$2.8 million) respectively. The Group's consolidated turnover and net loss for the 6 months ended 30th September 2004 was HK\$139.8 million (2003: HK\$157.0 million) and HK\$10.6 million (2003: HK\$18.0 million) respectively.

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

The rebound of Hong Kong's economy, coupled with the Individual Visit Scheme which allows travellers from China to visit Hong Kong on an individual basis, and further supported by our successful brand building and marketing campaigns, contributed to Wai Yuen Tong's continual growth in Hong Kong.

Turnover for the period under review reached a record high of HK\$99.5 million (2003: HK\$62.3 million), representing an increase of 59.7% as compared to the same six month period last year.

As at 30th September 2004, the total number of Wai Yuen Tong retail outlets was 46, out of which 9 were in China and the total outlets represented an increase of 24% as compared to the figure as at 31st March 2004.

The diversification of Wai Yuen Tong's products continues and the following new products were launched during the review period:

Prophylactic Series – Health products such as Ganoderma Lucidum Spores Powder, Ganoderma Cordyceps Tea, Lung Fortifying Granule.

Metro Series – Products designed to assist in the relief of various metro diseases such as Stress Away Capsules, Green Tea Capsules and Essence of Chicken with Ganoderma Lucidum Spore.

Beauty and Slimming Series – Products designed for beauty and slim such as Bird's Nest Moisturizing Mask, Pearl Whitening Mask and Ganoderma Lucidum Anti-Wrinkle Mask.

To celebrate its 108th anniversary and to further its brand building campaign, Wai Yuen Tong will sponsor 7 Cantonese operas to be performed by Koi Ming Fai of Ming Chee Sing Chinese Opera during the Lunar New Year.

Luxembourg Medicine Company Limited (“Luxembourg”)

Luxembourg's business has continued to grow. Turnover for the period under review increased to HK\$33.7 million (2003: approximately HK\$24.2 million), representing an increase of over 39% as compared to the same six month period last year.

The sale of cough syrup under the brand name of “Madame Pearl's” has continued to grow satisfactorily. Diversification to other brand names and products has also brought satisfactory results. At present, Luxembourg has the following 5 product series with a total of over 50 products which are sold in various chain-stores and drug stores.

Madame Pearl's – Medical products such as cough syrup, cold and flu, analgesic, anti-dia and rug cream.

Health Concept – Nutritional products such as milk calcium candy, OPC and DHA.

Natural Plus – Health food products such as Trimpower, Bio-fiberact and Extra Slimming Tea.

Natural Spa – Personal health-care products such as anti-mosquito shower gel, anti-oxidant shower gel and bath set.

Pearl's – Household hygiene products such as disinfectant liquid, fabric softener and laundry detergent.

CNT Health Food Pte Ltd

With a view to expand its business overseas and to strengthen its production base and sourcing arm, the Group acquired CNT Health Pte Ltd in July 2004, which is principally engaged in manufacturing bottled bird's nest drinks, herbal essence health tonics and other Chinese proprietary medicines and in selling bottled bird's nest drinks, dried bird's nest and other herbs, herbal essence, health tonics, health products and Chinese proprietary medicines at the wholesale and retail level.

Huzhou Wai Yuen Tong Biological Medicine Co., Ltd. (“Huzhou WYT”)

During the review period, the Group acquired an effective controlling interest in Huzhou Longhai Biomedicament, the assets of which have been transferred to Huzhou Wai Yuen Tong Biological Medicine Co., Ltd, a newly established enterprise in the PRC in which the Group holds an effective 51% interest.

The Directors plan to use Huzhou WYT as Wai Yuen Tong's principal production base in China, which will not only reduce its production costs, but also support the business expansion and develop the sales channels of Wai Yuen Tong in Mainland China by manufacturing and selling its Wai Yuen Tong products in Mainland China domestically.

CAPITAL REORGANIZATION

As stated in a notice to shareholders dated 12th May 2004, the Directors proposed a capital reorganization for the Company whereby the nominal value of each of the issued share would be reduced from HK\$0.10 each to HK\$0.01 each by the cancellation of HK\$0.09 paid up on each share, the authorised but unissued share capital of the Company would be cancelled and then restored and the credit of approximately HK\$49.7 million resulting from the cancellation of HK\$0.09 of the paid up capital for each issued share would be applied to general reserve and to set off against the accumulated loss of the Company. The capital reorganization was completed on 28th June 2004.

LIQUIDITY AND FINANCIAL RESOURCES

As stated in a notice to the shareholders dated 12th May 2004, the Directors proposed to raise approximately HK\$265.3 million, before expenses, by issuing not less than 1,658,321,535 rights shares at a price of HK\$0.16 per right share by way of rights issue on the basis of three rights shares for every share held on 4th June 2004. The Directors also proposed to issue bonus share on the basis of one bonus share for every three fully paid rights shares. The rights issue and bonus issue were completed on 28th June 2004.

During the period, the Group has redeemed all non-current convertible notes of HK\$56.5 million and loans from a shareholder of HK\$7.0 million.

As at 30th September 2004, the Group's total borrowings amounted to HK\$71.9 million which included bank borrowings of HK\$69.3 million, bank overdrafts HK\$2.3 million and finance lease obligations of HK\$0.3 million.

The gearing ratio, defined as the ratio of the total borrowings to capital and reserves, as at 30th September 2004, was approximately 12%. The Groups' investment properties and fixed assets with an aggregate net book value of HK\$84.5 million were pledged to banks to secure the Group's general banking facilities, approximately HK\$20.3 million of which was utilized at 30th September 2004.

The Group's contingent liabilities as at 30th September 2004 amounted to approximately HK\$1.3 million (31st March 2004: HK\$2.1 million).

MANAGEMENT AND STAFF

As at 30th September 2004, the Group had over 480 employees, around 84% 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.

PROSPECTS

With the recovery of Hong Kong and worldwide economy and increasing contribution from the Group's pharmaceutical and health products, the Directors are optimistic about the Group's long term prospects.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2004, there was no purchase, sale or redemption of the Company's listed shares by the Company or any its subsidiaries.

AUDIT COMMITTEE

The Company has set up an audit committee which is comprised of three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed financial statements.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period ended 30th September 2004 with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all information in respect of the Company required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

By Order of the Board
Tang Ching Ho
Chairman

As at the date of this announcement, 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.

Hong Kong, 17th December 2004

* *for identification only*

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