



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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The board of director (the “Board”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Revenue	2	381,266	324,756
Cost of sales		(205,952)	(190,904)
Gross profit		175,314	133,852
Other income	4	17,649	7,493
Selling and distribution costs		(118,004)	(105,168)
Administrative expenses		(64,922)	(76,785)
Finance costs	5	(6,085)	(7,751)
Impairment loss recognised in respect of goodwill		(49,558)	(40,095)
Impairment loss recognised in respect of property, plant and equipment		—	(11,762)
(Loss) gain on disposal of investment properties		(150)	1,920
Gain on disposal of a subsidiary		100,618	—
Write off of prepaid lease payment		—	(2,303)
Allowance for amount due from an associate		(6,389)	(5,000)
Share of results of associates		(705)	(1,793)
Impairment loss recognised in respect of an associate		(36,863)	—
Profit (loss) before taxation	6	10,905	(107,392)
Income tax (expense) credit	7	(982)	1,240
Profit (loss) for the year		9,923	(106,152)

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		<u>9,895</u>	<u>(98,370)</u>
Minority interests		<u>28</u>	<u>(7,782)</u>
		<u>9,923</u>	<u>(106,152)</u>
Earnings (loss) per share			
— Basic	8	<u>0.71 cents</u>	<u>(12 cents)</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Investment properties		—	9,100
Property, plant and equipment		37,229	84,934
Prepaid lease payments		97,503	140,721
Goodwill		206,064	255,461
Interests in associates		4,872	3,827
Amounts due from associates		20,000	7,300
Trademarks		1,100	1,216
Long-term bank deposits		7,813	7,762
Investments in unlisted notes		6,956	—
Deposits paid for investments		—	14,704
Deferred tax assets		57	341
		<u>381,594</u>	<u>525,366</u>
CURRENT ASSETS			
Inventories		67,059	66,958
Trade and other receivables	9	69,346	59,135
Prepaid lease payments		2,500	3,512
Amounts due from associates		9,525	13,631
Deposits paid for investments		9,378	—
Tax recoverable		435	1,294
Investments in unlisted notes		1,974	—
Investments held-for-trading		14,475	14,491
Derivative financial instruments		—	100
Pledged deposits		—	42,703
Bank balances and cash		236,625	108,793
		<u>411,317</u>	<u>310,617</u>
CURRENT LIABILITIES			
Trade and other payables	10	73,228	53,502
Tax payable		426	340
Obligations under finance leases		29	270
Bank borrowings		15,368	38,323
Deferred franchise income		223	234
Convertible loan stock		8	6
		<u>89,282</u>	<u>92,675</u>
NET CURRENT ASSETS		<u>322,035</u>	<u>217,942</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>703,629</u>	<u>743,308</u>

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		22	104
Bank borrowings		43,855	94,363
Deferred franchise income		—	18
Deferred tax liabilities		2,054	2,032
		45,931	96,517
NET ASSETS		657,698	646,791
CAPITAL AND RESERVES			
Share capital		13,964	13,964
Reserves		643,627	632,748
Equity attributable to equity holders of the Company		657,591	646,712
Minority interests		107	79
TOTAL EQUITY		657,698	646,791

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The directors of the Company anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions ⁷
HK(IFRIC)-Int 12	Service Concession Arrangements ⁸

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

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

2. REVENUE

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

	2007 HK\$'000	2006 HK\$'000
Sales of goods	374,990	318,229
Management, advertising and promotion fees	4,457	4,724
Rental income generated from investment properties	1,819	1,803
	<u>381,266</u>	<u>324,756</u>

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

Consolidated Income Statement

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investments and property holding		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE												
External sales	271,236	237,322	75,158	44,319	33,053	41,312	1,819	1,803	—	—	381,266	324,756
Inter segment sales*	3,577	2,406	31	257	21,938	10,136	4,096	1,715	(29,642)	(14,514)	—	—
	<u>274,813</u>	<u>239,728</u>	<u>75,189</u>	<u>44,576</u>	<u>54,991</u>	<u>51,448</u>	<u>5,915</u>	<u>3,518</u>	<u>(29,642)</u>	<u>(14,514)</u>	<u>381,266</u>	<u>324,756</u>
RESULTS												
Segment results, excluding impairment loss recognised in respect of goodwill	7,771	(31,245)	9,410	4,857	(1,004)	(4,404)	97,190	(3,249)			113,367	(34,041)
Impairment losses recognised in respect of goodwill	(37,843)	(40,095)	(11,715)	—	—	—	—	—			(49,558)	(40,095)
Segment results	<u>(30,072)</u>	<u>(71,340)</u>	<u>(2,305)</u>	<u>4,857</u>	<u>(1,004)</u>	<u>(4,404)</u>	<u>97,190</u>	<u>(3,249)</u>			<u>63,809</u>	<u>(74,136)</u>
Other income											17,649	7,493
Unallocated corporate expenses											(20,511)	(26,205)
Finance costs											(6,085)	(7,751)
Allowance for amount due from an associate											(6,389)	(5,000)
Share of results of associates											(705)	(1,793)
Impairment loss recognised in respect of an associate											<u>(36,863)</u>	<u>—</u>
Profit (loss) before taxation											10,905	(107,392)
Income tax (expense) credit											<u>(982)</u>	<u>1,240</u>
Profit (loss) for the year											<u>9,923</u>	<u>(106,152)</u>

* Inter segment sales are charged on terms determined and agreed between group companies.

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investments and property holding		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES										
ASSETS										
Segmental assets before goodwill	252,820	255,906	33,993	28,701	17,127	24,495	—	93,337	303,940	402,439
Goodwill	92,612	130,294	109,102	120,817	4,350	4,350	—	—	206,064	255,461
Segment assets	345,432	386,200	143,095	149,518	21,477	28,845	—	93,337	510,004	657,900
Interests in associates									4,872	11,127
Unallocated corporate assets									278,035	166,956
Consolidated total assets									792,911	835,983
LIABILITIES										
Segmental liabilities	53,100	32,926	8,564	11,074	5,641	7,157	—	1,220	67,305	52,377
Unallocated corporate liabilities									67,908	136,815
Consolidated total liabilities									135,213	189,192

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Production and sale of bottled birds' nest drinks and herbal essence products		Property investments and property holding		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION										
Capital expenditure	7,794	8,514	—	58	13	713	839	4,099	8,646	13,384
Depreciation of property, plant and equipment	13,531	12,926	363	417	726	674	1,307	1,420	15,927	15,437
Amortisation of trademarks	154	84	—	—	—	—	—	—	154	84
Impairment loss recognised in respect of property, plant and equipment	—	11,762	—	—	—	—	—	—	—	11,762
(Written back) allowance for trade and other receivables	(2,474)	599	(4)	—	15	820	—	—	(2,463)	1,419
Allowance (written back) for inventories	479	1,054	(283)	—	1,178	—	—	—	1,374	1,054

Geographical segments

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

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

	2007 HK\$'000	2006 HK\$'000
Hong Kong	284,270	249,400
The PRC, other than Hong Kong	53,567	26,918
Singapore	21,995	31,601
Others	21,434	16,837
	381,266	324,756

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	476,303	614,509	8,633	11,787
The PRC, other than Hong Kong	12,274	12,129	—	704
Singapore	16,350	29,989	13	713
Others	5,077	1,273	—	180
	<u>510,004</u>	<u>657,900</u>	<u>8,646</u>	<u>13,384</u>

4. OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Exchange gain	684	—
Fair value gain on investments held-for-trading	1,047	265
Fair value gain on convertible note from an associate	55	—
Franchise income	418	458
Gain on disposal of investments held-for-trading	5,244	548
Gain on recognition of derivative financial instruments	—	100
Interest income from loans to associates	68	472
Interest income on bank deposits	5,640	1,910
Interest income on investment in unlisted notes	250	—
Other interest income	44	78
Processing fee income	2,183	2,359
Sundry income	<u>2,016</u>	<u>1,303</u>
	<u>17,649</u>	<u>7,493</u>

5. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,361	4,920
Bank borrowings not wholly repayable within five years	2,689	2,467
Convertible loan stock	1	307
Finance leases	<u>34</u>	<u>57</u>
	<u>6,085</u>	<u>7,751</u>

6. PROFIT (LOSS) BEFORE TAXATION

2007	2006
HK\$'000	HK\$'000

Profit (loss) before taxation has been arrived at after charging (crediting):

Staff costs

— Directors' remuneration	1,790	1,720
— Other staff costs	69,194	55,404
— Retirement benefit scheme contributions other than directors	3,508	2,746

Total staff costs	74,492	59,870
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(Reversal) allowance for trade and other receivables	(2,463)	1,419
Allowance for obsolete stock	1,374	1,054
Amortisation of trademarks, included in administrative expenses	154	84
Auditors' remuneration	2,300	1,760
Depreciation of property, plant and equipment	15,927	15,437
Amortisation of prepaid lease payments	3,512	3,630
Cost of inventories recognised as expenses	199,400	174,015
Management fee paid to a shareholder	996	972
Research and development expenses	1,009	135
Exchange loss	—	163
Gross rental income	(1,819)	(1,803)
Less: direct outgoing expenses	540	501

Sub-lease income	(90)	—
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7. INCOME TAX EXPENSE (CREDIT)

2007	2006
HK\$'000	HK\$'000

The charge (credit) comprises:

Current tax

Hong Kong Profits Tax	404	292
Other jurisdictions	201	230

605	522
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Under (over) provision in prior years

Hong Kong Profits Tax	76	(101)
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Deferred taxation

Current year	301	(1,661)
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982	(1,240)
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Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Singapore Income Tax is calculated at 18% (2006: 20%) of the estimated assessable profit for the year.

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

8. EARNINGS (LOSS) PER SHARE

For the year ended 31 March 2007, the calculation of the basic and diluted earnings per share is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit (loss) for the year attributable to the equity holders of the parent for the purpose of basic earnings per share	<u>9,895</u>	<u>(98,370)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>1,396,347,688</u>	<u>816,344,166</u>

The computation of diluted earnings per share for the year ended 31 March 2007 does not assume the exercise of the outstanding options of the Company as the exercise price of those options is higher than the average market price of the shares of the Company on the Hong Kong Stock Exchange nor the conversion of the outstanding convertible loan stock of the Company which would result in an increase in basic earnings per share.

For the year ended 31 March 2006, no diluted loss per share is presented as the conversion of the outstanding convertible loan stock of the Company would result in a decrease in net loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2006 had been retrospectively adjusted for the effect of the capital reorganisation approved by the shareholders of the Company on 8 June 2005.

9. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	50,478	47,766
Less: accumulated impairment	<u>(902)</u>	<u>(3,830)</u>
	49,576	43,936
Other receivables and prepayments	<u>19,770</u>	<u>15,199</u>
Total trade and other receivables	<u>69,346</u>	<u>59,135</u>

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 – 30 days	18,360	15,216
31 – 60 days	18,718	8,221
61 – 120 days	9,418	17,755
Over 120 days	<u>3,080</u>	<u>2,744</u>
	<u>49,576</u>	<u>43,936</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$40,724,000 (2006: HK\$26,933,000) and their aged analysis is as follows:

	2007 HK\$'000	2006 <i>HK\$'000</i>
0 – 30 days	18,816	12,722
31 – 60 days	13,709	7,606
61 – 120 days	5,576	4,205
Over 120 days	2,623	2,400
	40,724	26,933
Other payables	32,504	26,569
	73,228	53,502

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's turnover and profit attributable to shareholders for the year amounted to HK\$381.3 million (2006: HK\$324.8 million) and HK\$9.9 million (2006: loss HK\$98.4 million) respectively.

DIVIDEND

No interim dividend was paid during the year under review (2006: Nil). The Directors do not recommend the payment of final dividend (2006: Nil).

RESULTS

The Group recorded a turnover of HK\$381.3 million (2006: HK\$324.8 million) for the year ended 31 March 2007, representing an increase of 17.4% compared to that of last year. The Group had turned around from a loss-making to a profit-making position, recording a profit attributable to equity holders for the fiscal year ended 31 March 2007 of HK\$9.9 million (2006: loss HK\$98.4 million). Basic earnings per share was HK\$0.71 cents (2006: basic loss per share of HK\$12.0 cents).

BUSINESS REVIEW

Despite the intensifying competition in the retailing and distribution of Chinese herbal medicinal and healthcare products in the local market, plus the escalating pressure of rising rental and staff costs, the Group launched its strategic plan of expansion and not only successfully secured its market position but deepened its market penetration in Hong Kong, mainland China and other overseas markets.

Chinese Pharmaceutical Products

Turnover for the year under review increased by 14.3% from HK\$237.3 million to HK\$271.2 million. The rising public awareness of health continued to bring a great deal of business momentum to our Group's flagship operation of the sale and distribution of Chinese herbal medicinal and healthcare products under the brand of "Wai Yuen Tong". In the fourth quarter of 2006, the Group launched a rebranding project with a series of marketing campaigns that were targeted to rejuvenate the brand of "Wai Yuen Tong". With the opening of a new retail store at Parkes Street, Jordan and adopting the new visual image in January 2007, the Group successfully strengthened its local leading position as the largest Chinese herbal medicine retail chain, the largest Chinese medical practitioners network, and the provider of the best quality products. The award of Good Manufacturing Practice Certificate in early 2006 led the Group's aggressive plan to extend our market coverage to South East Asia, Australia, Canada and the United States.

During the fiscal year, the Group continued to expand its retail network by opening 6 retail outlets in Hong Kong and 13 retail outlets in the PRC, bringing the total of retail outlets to 55 and retail outlets to 25. 45 of the 55 retail outlets in Hong Kong provide healthcare consultation services by registered Chinese medical practitioners. The overall gross profit margin increased as we improved our sales channels and product mix. In view of escalating rentals, the Group has started to focus on adjusting the location and size of its stores so as to lower the overall rental costs while keeping the loyal customers.

Western Pharmaceutical Products

Turnover in Western pharmaceutical and health products increased sharply by 69.8% from HK\$44.3 million to HK\$75.2 million. The increase was mainly attributable to the core product, cough syrup, selling in the PRC as the Group successfully expanded its sales channels and network to over 18 provinces in the PRC. A series of rebranding activities launched in Hong Kong, together with the increased effort on sales channel management across dealers, key chains and drug stores, also brought growth in turnover.

The Group will continue to concentrate its efforts on the sale of cough syrup and other products related to upper respiratory tract infections. Business opportunities will be sought to optimize the utilization of the strong distribution network in Hong Kong and the PRC.

Chinese Health Food Business

The Group's manufacturing of Chinese health food business was operated through our production arm CNT Health Food Pte Limited ("CNT") in Singapore. The revenue for the period under review was HK\$33.1 million (2006: HK\$41.3 million). During the fiscal year, CNT streamlined its operations, strengthened its purchasing function, and launched a wastage reduction program. A remarkable improvement in gross profit margin had resulted and the operations started to bring contribution to the Group's results.

Investment in LeRoi Holdings Limited

In January 2007, the Company acquired 25.32% equity interest in LeRoi Holdings Limited ("LeRoi"). The Company also subscribed for a HK\$3 million convertible note issued by LeRoi and was granted an option to subscribe for additional HK\$7 million convertible notes to be issued by LeRoi.

FINANCIAL REVIEW

Liquidity, Capital Structure and Gearing

In view of acquiring potential business opportunities available in the market, it is appropriate for the Group to maintain sufficient working capital. During the year under review, the Group disposed one of its subsidiaries which owned an industrial property located in Kowloon Bay, for a cash consideration of HK\$188 million. As at 31 March 2007, the Group's total borrowings amounted to HK\$59.3 million (2006: HK\$133.1 million) which included bank borrowings and overdrafts of HK\$59.2 million (2006: HK\$132.7 million) and obligations under a finance lease of HK\$0.1 million (2006: HK\$0.4 million).

The gearing ratio, defined as the ratio of total borrowings to equity attributable to equity holders was approximately 9.0% (2006: 20.6%).

Foreign Exchange

The board is of the opinion that 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 the currency requirement of the Group's operating expenses. The Group does not engage in any hedging contracts.

Placing of New Shares

The Group placed 279,000,000 new shares of HK\$0.01 each through a placing agent on a fully underwritten basis, to independent investors at a price of HK\$0.46 per share, completion of which took place on 29 June 2007. The net proceeds of approximately HK\$124.1 million are intended to be used for the expansion of the Group's retail network in the PRC and Hong Kong and for general working capital of the Group.

Placing of Convertible Notes

On 11 June 2007, the Group entered into a placing agreement with a placing agent to place, on a fully underwritten basis, up to an aggregate principal amount of HK\$250,000,000 convertible note at an initial conversion price of HK\$0.58 per share. This placement is subject to the approval of the shareholders of the Company at the special general meeting to be held on 26 July 2007. The net proceeds of approximately HK\$245.5 million are intended to be used as to approximately HK\$180 million for capturing new investment opportunities and for the general working capital of the Group.

Employees

At the balance sheet date, the Group employed approximately 560 employees, of which approximately 84% were located in Hong Kong. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$72.7 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group also makes available a share option scheme to its employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year under review, the Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Detailed information on the Company's corporate governance practices is set out in Corporate Governance Report included in the Company's 2007 Annual Report.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements and reports for the year ended 31 March 2007. The Audit Committee comprises Mr. Yuen Chi Choi (the Chairman of the Audit Committee), Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive directors of the Company.

ANNUAL GENERAL MEETING

The 2007 annual general meeting of the shareholders of the Company will be held at Garden Rooms A & B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 30 August 2007 at 10:45 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

The results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (<http://www.wyth.net>). The 2007 annual report containing all the information required by the Listing Rules will be despatched to the shareholders 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, 18 July 2007

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

* *For identification purpose only*