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 2020

ANNUAL FINANCIAL HIGHLIGHTS

HK$' million	**FY2020**	FY2019	**YoY change**
Revenue	**620.7**	751.4	(17.4)%
Gross profit	**281.6**	301.5	(6.6)%
Earnings per share *(HK cents)*			
– Basic and diluted	**7.78**	5.98	1.80
	As at 31 March 2020	As at 31 March 2019	
Net asset value	**3,351.3**	2,448.1	36.9%
Cash and cash equivalents	**475.7**	171.2	177.9%
Gearing ratio	**57.6%**	27.9%	29.7%

* *For identification purpose only*

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	4	**620,741**	751,443
Cost of sales		**(339,165)**	(449,915)
Gross profit		**281,576**	301,528
Other income and gains, net	4	**498,048**	115,671
Selling and distribution expenses		**(233,238)**	(281,769)
Administrative expenses		**(178,229)**	(166,170)
Reversal of impairment losses/(impairment losses) on financial assets, net		**(16,013)**	82,767
Other expenses		**(93,487)**	(6,205)
Finance costs	6	**(56,697)**	(28,553)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net		**(7,323)**	593
Fair value gains/(losses) on investment properties, net		**(99,198)**	17,445
Share of profits and losses of associates		**15,177**	46,387
PROFIT BEFORE TAX	5	**110,616**	81,694
Income tax expense	7	**(17,199)**	(7,448)
PROFIT FOR THE YEAR		**93,417**	74,246

	2020 *HK$'000*	2019 *HK$'000*
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(16,428)**	(2,019)
Reclassification adjustments for gains/losses included in profit or loss:		
– Impairment losses/(reversal of impairment losses)	**10,165**	(80,353)
– Gain on disposal/redemption, net	**(100,078)**	(1,179)
	(106,341)	(83,551)
Share of other comprehensive loss of associates	**(13,093)**	(26,917)
Translation reserve:		
Translation of foreign operations	**(83,845)**	(13,326)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(203,279)**	(123,794)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(6,331)**	(4,240)
Equity investments at fair value through other comprehensive income:		
Changes in fair value	**(35,522)**	(39,296)
Deferred tax	**1,832**	3,521
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(40,021)**	(40,015)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(243,300)**	(163,809)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(149,883)**	(89,563)

	Note	**2020**	2019
		HK$'000	*HK$'000*
Profit/(loss) attributable to:			
Owners of the parent		**95,823**	74,627
Non-controlling interests		**(2,406)**	(381)
		93,417	74,246
Total comprehensive loss attributable to:			
Owners of the parent		**(137,829)**	(88,025)
Non-controlling interests		**(12,054)**	(1,538)
		(149,883)	(89,563)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**HK7.78 cents**	HK5.98 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**974,940**	957,323
Investment properties		**3,190,791**	558,000
Net investments in subleases		**9,619**	–
Investments in associates		**314,033**	329,584
Financial assets at fair value through other comprehensive income		**125,100**	228,623
Deposits		**19,905**	21,702
Deferred tax assets		**48**	10,122
Total non-current assets		**4,634,436**	2,105,354
CURRENT ASSETS			
Properties under development		**297,146**	–
Properties held for sale		**1,645,165**	–
Inventories		**154,890**	161,508
Trade receivables	10	**67,302**	92,210
Loans and interest receivables		**68,250**	24,031
Prepayments, deposits and other receivables		**249,376**	46,298
Net investments in subleases		**10,526**	–
Financial assets at fair value through other comprehensive income		**48,120**	710,788
Financial assets at fair value through profit or loss		**56,675**	21,289
Tax recoverable		**14,438**	1,157
Restricted bank balances		**8,157**	–
Cash and cash equivalents		**475,702**	171,209
		3,095,747	1,228,490
Assets classified as held for sale		**–**	120,826
Total current assets		**3,095,747**	1,349,316
CURRENT LIABILITIES			
Trade payables	11	**66,709**	35,959
Other payables and accruals		**1,188,483**	100,741
Contract liabilities		**548,829**	7,098
Financial liabilities at fair value through profit or loss		**621**	–
Interest-bearing bank and other borrowings		**653,127**	232,290
Tax payable		**58,006**	4,896
		2,515,775	380,984
Liabilities directly associated with the assets classified as held for sale		**–**	361
Total current liabilities		**2,515,775**	381,345

	2020 *HK$'000*	2019 *HK$'000*
NET CURRENT ASSETS	**579,972**	967,971
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,214,408**	3,073,325
NON-CURRENT LIABILITIES		
Other payables	**81,586**	1,883
Unsecured bonds and notes	**181,220**	–
Interest-bearing bank and other borrowings	**716,598**	619,937
Convertible notes	**249,814**	–
Deferred tax liabilities	**633,916**	3,416
Total non-current liabilities	**1,863,134**	625,236
Net assets	**3,351,274**	2,448,089
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**12,316**	12,316
Reserves	**2,287,745**	2,431,802
	2,300,061	2,444,118
Non-controlling interests	**1,051,213**	3,971
Total equity	**3,351,274**	2,448,089

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, debt investments, equity investments and derivative financial instruments which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendment to HKFRS 16*	*Covid-19-Related Rent Concession*

* Early adopted by the Group in the current year's financial statements

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The Group reassessed the sublease arrangements at 1 April 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 April 2019, and determined that these arrangements are finance leases applying HKFRS 16. Accordingly, the Group recognised net investments in subleases amounting to HK$27,588,000 and derecognised the corresponding right-of-use asset of the head lease amounting to HK$27,333,000, resulting in a gain of HK$255,000 recognised in the opening balance of accumulated losses at 1 April 2019.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as part of the elements of property, plant and equipment in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK$'000
Assets	
Increase in property, plant and equipment	90,395
Increase in net investments in subleases	27,588
Decrease in prepayments, deposits and other receivables	(822)
Increase in total assets	117,161
Liabilities	
Increase in other payables and accruals	123,404
Equity	
Increase in accumulated losses	(6,228)
Decrease in non-controlling interests	(15)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	132,740
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(10,510)
Add: Payments for optional extension periods not recognised as at 31 March 2019	12,764
	134,994
Weighted average incremental borrowing rate as at 1 April 2019	3.76%
Lease liabilities as at 1 April 2019	122,890

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group's accounting policy for the long-term interests in associates is consistent with the requirements of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Group.

(d) The Group has early adopted the amendment to HKFRS 16 which provides relief to lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; (iii) there is no substantive change to other terms and conditions of the lease. The Group elects to adopt the practical expedient to account for the Covid-19 pandemic related rent concession as negative variable lease payments.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) production and sale of Chinese pharmaceutical and health food products – manufacture, processing and sale of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured using selected medicinal materials with traditional prescriptions, mainly in mainland China and Hong Kong;

(b) production and sale of Western pharmaceutical and health food products – processing and sale of Western pharmaceutical products and personal care products under the brand names of "Madame Pearl's" and "Pearl's", respectively;

(c) property investment – investment in commercial premises for rental income; and

(d) management and sale of properties in agricultural produce exchange markets (commenced during the year upon completion of the acquisition of China Agri-Products Exchange Limited).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that other income and gains, net, finance costs, fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net, head office and corporate income and expenses and share of profits and losses of associates are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment revenue and results

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Management and sale of properties in agricultural produce exchange markets		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**467,020**	624,744	**100,306**	115,953	**9,249**	10,746	**44,166**	–	**–**	–	**620,741**	751,443
Intersegment sales	**362**	87	**–**	–	**13,012**	13,883	**–**	–	**(13,374)**	(13,970)	**–**	–
Total	**467,382**	624,831	**100,306**	115,953	**22,261**	24,629	**44,166**	–	**(13,374)**	(13,970)	**620,741**	751,443
Segment results	**(180,127)**	(64,924)	**(34,603)**	(75,419)	**(84,341)**	35,429	**5,071**	–	**–**	–	**(294,000)**	(104,914)
Other income and gains, net											**498,048**	115,671
Unallocated income and expenses, net											**(44,589)**	52,510
Finance costs											**(56,697)**	(28,553)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net											**(7,323)**	593
Share of profits and losses of associates											**15,177**	46,387
Profit before tax											**110,616**	81,694
Income tax expense											**(17,199)**	(7,448)
Profit for the year											**93,417**	74,246

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers	**585,040**	740,697
Revenue from other sources		
Gross rental income from investment properties operating leases	**35,701**	10,746
	620,741	751,443

	2020	2019
	HK$'000	*HK$'000*
Other income		
Interest income on loan receivables	**9,922**	4,203
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	**61,386**	90,528
Finance income on net investments in subleases	**1,059**	–
Interest income on bank deposits	**5,541**	1,208
Dividends from financial assets at fair value through other comprehensive income	**4,371**	3,145
Sub-lease rental income	**–**	13,075
Rental income from other properties	**12,636**	–
The PRC government subsidies*	**3,531**	–
Others	**4,910**	2,333
	103,356	114,492
Gains, net		
Provisional gain on bargain purchase	**230,844**	–
Gain on disposal of items of property, plant and equipment, net	**56,306**	–
Gain on disposal of an investment property	**7,464**	–
Gain on disposal/redemption of financial assets at fair value through other comprehensive income, net	**100,078**	1,179
	394,692	1,179
Other income and gains, net	**498,048**	115,671

* The PRC government subsidies represent subsidies granted to the Group by the local governmental authority in mainland China for the business support on its investments in an agricultural produce exchange market in mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$9,567,000 (2019: HK$9,454,000))	**323,996**	449,915
Cost of services provided	**15,169**	–
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**–**	77,205
Contingent rents	**–**	10,441
Lease payments not included in the measurement of lease liabilities	**15,448**	–
Depreciation of owned assets	**50,768**	51,323
Depreciation of right-of-use assets	**61,906**	–
	112,674	51,323
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits	**166,098**	163,315
Pension scheme contributions	**9,458**	11,831
	175,556	175,146
Foreign exchange differences, net	**638**	3,723
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Impairment losses on trade receivables, net	**9,167**	726
Impairment losses on financial assets included in prepayments, deposits and other receivables	**30**	–
Impairment losses/(reversal of impairment losses) on debt investments at fair value through other comprehensive income, net	**10,165**	(80,353)
Reversal of impairment losses on loans and interest receivables, net	**(3,349)**	(3,140)
	16,013	(82,767)
Gain on bargain purchase of additional equity interests in an associate*	**–**	38,026
Loss/(gain) on disposal of items of property, plant and equipment, net	**(56,306)**	4
Loss on disposal of subsidiaries**	**2,937**	–
Impairment of goodwill**	**–**	7,700
Impairment of investment in an associate**	**8,737**	–
Impairment losses/(reversal of impairment losses) on items of property, plant and equipment, net**	**81,813**	(1,495)
Fair value losses on sub-leased investment properties***	**662**	–

* The gain for the year ended 31 March 2019 was included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

** These expenses are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** These expenses are included in "Cost of services provided" above.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**39,175**	28,553
Interest on lease liabilities	**5,648**	–
Interest on unsecured bonds and notes	**3,295**	–
Interest on promissory notes	**3,917**	–
Interest on convertible notes	**4,662**	–
	56,697	28,553

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,074**	920
Underprovision/(overprovision) in prior years	**(39)**	2,848
Current – other jurisdiction		
Charge for the year	**3,406**	–
Deferred taxation	**12,758**	3,680
Total tax charge for the year	**17,199**	7,448

8. DIVIDENDS

The board of directors does not recommend the payment of any dividends in respect of the year ended 31 March 2020 (2019: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year of 1,231,642,888 (2019: 1,248,141,518).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

10. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**86,103**	97,323
Less: Accumulated impairment	**(18,801)**	(5,113)
	67,302	92,210

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 7 to 120 days.

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**24,426**	46,305
1 to 3 months	**25,600**	29,108
3 to 6 months	**12,078**	13,173
Over 6 months	**5,198**	3,624
	67,302	92,210

11. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**66,709**	35,959

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**6,751**	14,923
1 to 3 months	**3,625**	6,547
3 to 6 months	**4,470**	7,608
Over 6 months	**51,863**	6,881
	66,709	35,959

The trade payables are non-interest-bearing and have an average term of 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS

For the financial year ended 31 March 2020, total revenue of the Group decreased by 17.4% to HK$620.7 million. As a result of the massive social unrest in Hong Kong as well as outbreak of the global COVID-19 pandemic since early 2020, revenue of both Chinese pharmaceutical and health food products and Western pharmaceutical and health food products dropped by 25.2% to HK$467.0 million and by 13.5% to HK$100.3 million, respectively. During the year, the Group has further expanded its scope of business into management and sale of properties in agricultural produce exchange markets in mainland China through the acquisition of 53.37% equity interests in China Agri-Products Exchange Limited ("**CAP**") (stock code: 149) which was completed in February 2020. Since the acquisition, this new business contributed revenue of HK$44.2 million to the Group for the year ended 31 March 2020.

For the year ended 31 March 2020, the Group recorded a profit attributable to owners of the parent amounting to HK$95.8 million (2019: HK$74.6 million). Such improvement was mainly attributable to a provisional gain on bargain purchase arising from the acquisition of CAP, gain on disposal/redemption of financial assets and gains on disposal of property, plant and equipment and an investment property, netting off the decrease in gross profit of the Group and impairment losses on items of property, plant and equipment.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: Nil). No interim dividend was made for the six months ended 30 September 2019 (30 September 2018: Nil).

BUSINESS REVIEW

(1) Chinese Pharmaceutical and Health Food Products

During the year under review, revenue of the Chinese pharmaceutical and health food products decreased by 25.2% year-on-year to HK$467.0 million. According to the latest retail sales figures released by the Census and Statistics Department of Hong Kong, the estimated retail sales in Hong Kong for the full year 2019 dropped by approximately 12.3% year over year. The continuous social unrest and COVID-19 pandemic have unavoidably hurt the inbound tourism and directly affected our retail sales, particularly for those districts where were originally very popular with mainland tourists. Notwithstanding the subdued economic outlook, we have implemented various initiatives during the year for the long-term growth of the Group, including enriching the product range, advocating our high quality Chinese medical services provided by our professional Chinese doctors and consolidating distribution channel, etc. Revenue of this business segment accounted for 75.2% of total revenue of the Group.

Again, Angong Sanbao (安宮三寶) is regarded as our key Chinese pharmaceutical products: Angong Niuhuang Wan (安宮牛黃丸), Angong Jiangya Wan (安宮降壓丸), Angong Zaizao Wan (安宮再造丸), which are gatekeepers of cardiovascular health of the public based on the overall concept of emergency-prevention-rehabilitation. The series is registered in Hong Kong according to ancient prescriptions/nationally recognised prescription and its whole production process is carried out at our GMP factory in Yuen Long, Hong Kong. We have launched a series of product promotion, which successfully drew public attention on cerebrovascular health through health talks and event promotional vehicles in various districts. During the existing pandemic environment, our Angong Niuhuang Wan is considered as good for health product with growing popularity. Despite the weak consumer sentiment and subdued economic conditions, the sales of traditional Chinese medicine ("**TCM**") healthcare products for common diseases of urban people remained strong for the year ended 31 March 2020.

The Group targeted better cost efficiency through further optimisation of its retail sales network and distribution channels. We had enhanced the distribution channel by partnering with a strong distributor since the fourth quarter of 2018 which focuses on distributing our products to the key accounts in Hong Kong. By the end of the year, we had over 55 retail outlets in Hong Kong. We review the distribution of our retail shops and aim to relocate our retail shops to a more successful location to capture customers. The optimisation of distribution network helps strengthen the Group's sales and brand recognition. A strong network has been laid down for a sustainable growth in the future.

The Group is well aware of the importance of networks nowadays and therefore has intensified its efforts to explore other sales channels, major customers, distributors as well as overseas regions to expand and enrich its marketing capacity. The Group is also in the process of exploring collaboration with casinos, commercial banks and insurance companies to broaden the customer base in the future.

Last but not least, the Group will continue to work with renowned universities and research institutes to promote and develop new Chinese medicine health products, in particular for the elderly. In the face of future challenges, the Group will insist on strict monitor on product quality and a sincere service attitude.

(2) Western Pharmaceutical and Health Food Products

Revenue of the Western pharmaceutical and health food products decreased by 13.5% to HK$100.3 million since the consumer sentiment stayed weak for the year ended 31 March 2020.

The two major product series, namely “Madame Pearl’s” and “Pearl’s” under this business segment encountered different challenges during the year. Last year, the segment’s prime product – cough syrup – under the Madame Pearl’s brand was affected by the relocation of production facilities to the Group’s PIC/S factory in Yuen Long which led to the decline in production volume of Madame Pearl’s cough syrup. As the relocation of production completed by the end of 2018, the production volume of Madame Pearl’s cough syrup started picking up in 2019. In order to better utilise the increased production capacity, we started supplying local clinics and we are aiming to cover more than 400 local clinics by the end of 2020. Despite the increase in sales of cough syrup through this new channel, revenue of this business segment still decreased due to weak consumption sentiment.

The Pearl’s product series, which comprises MosquitOut spray, hand cream and itch-relief products, faced with severe price competition. Despite a highly competitive market environment, Pearl’s MosquitOut remained as a leading brand in this product category.

During the year, the Group placed substantial resources in revamping its Western pharmaceutical and health food product distribution channels in order to improve efficiency. More resources were put on branding with an aim to strengthening the brand loyalty for both “Madame Pearl’s” and “Pearl’s” product series. To comply with mainland China’s relevant regulations, the Group has engaged various local industry players to rejuvenate the penetration of its upper airway product series under the “Madame Pearl’s” brand into mainland China.

Capitalising on state-of-the-art technology and advanced equipment of the Group’s Yuen Long factory, the Group continued to carry out research and development of products for core medical solution targeting at institutional clients.

(3) Property Investment

As at 31 March 2020, the Group owned 10 properties in Hong Kong, which are all retail properties. The majority of those properties was self-use as retail shops while some were leased out for generating rental income. The net fair value loss on investment properties amounted to HK$99.2 million (2019: fair value gain of HK$17.4 million) as a result of the deteriorated retail market condition.

During the year ended 31 March 2020, the Group completed the sales of five properties in Hong Kong, which are retail shops at (1) Hip Wo Street, Kwun Tong, (2) Sai Yeung Choi Street South, Mong Kok, (3) To Kwa Wan Road, To Kwa Wan, (4) Shau Kei Wan Road, Sai Wan Ho, and (5) Jade Plaza, Tai Po. The gain from these five properties disposals amounted to HK$60.9 million and was recognised during the year ended 31 March 2020.

(4) Investment in CAP and Management and Sale of Properties in Agricultural Produce Exchange Markets

CAP (stock code: 149), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), is principally engaged in the management and sale of properties in agricultural produce exchange markets in mainland China.

The Group subscribed and acquired the unlisted 5-year bond due 27 November 2019 with coupon rate of 10.0% per annum issued by CAP (the "**2019 CAP Bonds**") in 2014 and 2016. On 26 September 2019, CAP and Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional loan agreement, pursuant to which Winning Rich granted a new loan to CAP in the principal amount of HK$621.0 million for a term of three years (the "**CAP Loan**") for the purpose of refinancing the outstanding indebtedness of CAP owed to Winning Rich under the 2019 CAP Bonds.

On 26 September 2019, Goal Success Investments Limited, an indirect wholly-owned subsidiary of the Company (the "**Offeror**"), announced (as supplemented by the announcement dated 28 November 2019) that Kingston Securities Limited, on behalf of the Offeror, proposed to put forward a proposal (subject to the satisfaction of certain pre-conditions) to:

(a) make a pre-conditional voluntary partial cash offer to the shareholders of CAP to acquire such number of CAP shares which resulted in the Offeror and parties acting in concert with it holding a maximum of 75% of the CAP shares in issue at the partial share offer price of HK$0.091 per CAP share; and

(b) extend an appropriate offer to acquire a maximum of 46.86% of the outstanding principal amount of the 7.5% convertible note(s) due 2021 issued by CAP on 19 October 2016 (the "**CN**") (subject to adjustment in the event of a change in the issued share capital of CAP) at the partial CN offer price of HK$0.2275 for each outstanding HK$1 face value of the CN,

items (a) and (b) above (collectively the "**CAP Acquisition**").

The cash consideration paid by the Offeror under the CAP Acquisition amounted to approximately HK$483.4 million. The CAP Acquisition completed on 12 February 2020, which led the Group to record a provisional gain on bargain purchase of HK$230.8 million. CAP was accounted for as a subsidiary of the Company upon the completion of the CAP Acquisition.

The CAP Group managed 11 agricultural produce exchange markets in the People's Republic of China (the "**PRC**"), across five provinces. For the period from February to March 2020, CAP recorded a turnover of HK$44.2 million which included HK$26.5 million generated from rental income from investment properties and HK$17.7 million generated from management services provided in agricultural produce exchange markets.

In order to achieve long term growth, CAP strives for diversification of income streams via operating its wholly-owned agricultural produce exchange markets, entering into cooperation projects with local partners, making small amount of investment and providing management services to local partners to operate agricultural markets under CAP's brand name, and provision of food and agricultural by-products merchandising services to customers.

The main agricultural produce exchange markets in the PRC of CAP are Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**"), Yulin Hongjin Agricultural and By-Product Exchange Market ("**Yulin Market**") and Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**").

Wuhan Baisazhou Market

Wuhan Baisazhou Market is one of the largest agricultural produce exchange operators in the PRC. It is situated in the Hongshan District of Wuhan City, the PRC with a site area of approximately 310,000 square metres and a total gross floor area of approximately 190,000 square metres. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

Yulin Market

Yulin Market is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region, the PRC with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres. Sale of properties is the major income generated from Yulin Market.

Luoyang Market

Luoyang Market is the flagship project of CAP in Henan Province, the PRC, with a site area and a gross floor area of approximately 255,000 square metres and approximately 223,000 square metres, respectively. Sale of properties is the major income generated from Luoyang Market.

CAP has three agricultural produce exchange markets in Hubei Province, the PRC. The operating performance of these markets was affected by the COVID-19 pandemic. During the pandemic, the PRC government implemented different measures to constraint the spread of the virus, including the limitation of people and vehicle movement and strengthening the markets' hygiene controls. These measures lowered the market trading activities and related commission income. However, since COVID-19 began to be under control, the performance of these markets has gradually returned to normal.

(5) Investment in Easy One Financial Group Limited ("Easy One")

Easy One (stock code: 221), a company listed on the Main Board of the Stock Exchange, is principally engaged in the businesses of provision of finance and securities brokerage services in Hong Kong and property development in the PRC.

As at 31 March 2020, the Group held 29.06% (2019: 29.06%) of the issued shares of Easy One. Easy One is an associate of the Group. The Group's share of profit of Easy One during the year amounted to HK$12.0 million (2019: share of profit of HK$49.0 million). Last year, the share of profit included a gain on bargain purchase from the acquisition of additional equity interests of Easy One of HK$38.0 million. Impairment on investment in Easy One of HK$8.7 million was recorded as other expenses during the year (2019: Nil).

On 4 May 2020, Caister Limited, a company wholly owned by Mr. Tang Ching Ho, the controlling shareholder of the Company, requested the board of Easy One, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, to put forward a proposal of privatisation of Easy One (the "**Proposed Privatisation**") to the other shareholders of Easy One for the privatisation of Easy One by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act.

Pursuant to the Proposed Privatisation, all the ordinary shares of HK$0.01 each in Easy One (the "**Scheme Share(s)**") will be cancelled in exchange for the consideration comprising the cash consideration of HK$0.3 per Scheme Share and the consideration shares on the basis of eight (8) ordinary share of Wang On Group Limited ("**Wang On**", the ultimate holding company of the Company, whose shares are listed and traded on the Main Board of the Stock Exchange) as held by Caister Limited, for each Scheme Share. The Proposed Privatisation, upon implementation, will constitute a major and connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), details of which were set out in the joint announcement published by the Company, Wang On, Easy One and Caister Limited dated 4 May 2020.

(6) Financial Assets at Fair Value through Other Comprehensive Income

The Group has maintained a portfolio of listed equity securities and bonds in Hong Kong which are held for long term investment purpose with an aim to generating stable income. During the year, the Group's investment in listed bonds decreased by HK$43.8 million and the remaining bonds as at 31 March 2020 carried annual interest rates ranging from 6.00% to 11.75%.

As at 31 March 2020, the fair value of financial assets at fair value through other comprehensive income was HK$173.2 million (2019: HK$939.4 million). During the year, the Group has recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of HK$52.0 million (2019: net loss of HK$41.3 million).

(7) Convertible Notes

On 19 October 2016, CAP issued convertible notes (the "**Convertible Notes**") with an aggregate principal amount of HK$500 million which will mature on 18 October 2021. The Convertible Notes can be convertible into ordinary shares of CAP at a conversion price of HK$0.4 per ordinary share of CAP. From the completion of the CAP Acquisition to 31 March 2020, no Convertible Notes were converted into ordinary shares of CAP by the Convertible Notes' holders. As at 31 March 2020, the Convertible Notes had an outstanding principal amount of HK$264.8 million.

(8) Unsecured Notes Due in 2024 ("Unsecured Notes")

In May 2014, CAP established a HK$1,000 million medium term note program. The Unsecured Notes issued under the program are listed on the Stock Exchange by way of debt issue to professional investors only (stock code: 5755). As at 31 March 2020, the Unsecured Notes had an outstanding principal amount of HK$290.0 million.

FINANCIAL REVIEW

(1) Liquidity, Gearing and Financial Resources

As at 31 March 2020, the Group had total assets of HK$7,730.2 million (2019: HK$3,454.7 million) which were financed by current liabilities of HK$2,515.8 million (2019: HK$381.3 million), non-current liabilities of HK$1,863.1 million (2019: HK$625.2 million) and shareholders' equity of HK$3,351.3 million (2019: HK$2,448.1 million).

As at 31 March 2020, the Group's cash and cash equivalents were HK$475.7 million (2019: HK$171.2 million).

As at 31 March 2020, the Group's total interest-bearing debts amounted to HK$1,800.8 million (2019: HK$852.2 million), which bore interest at fixed and floating interest rates and were denominated in Hong Kong dollars and Renminbi ("**RMB**").

	At 31 March 2020		**At 31 March 2019**	
	HK$ Million	***Approximate effective interest rate***	*HK$ Million*	*Approximate effective interest rate*
Unsecured bonds and notes	**181**	**12%**	–	–
Convertible notes	**250**	**12%**	–	–
Financial institution borrowings	**1,295**	**4%**	852	3%
Non-financial institution borrowings	**75**	**10%**	–	–
Total	**1,801**		852	

The current ratio, being a ratio of total current assets to total current liabilities, was 1.2 (2019: 3.5). The gearing ratio, being the ratio of total interest-bearing debts net of cash and cash equivalents to equity attributable to owners of the parent, was 57.6% (2019: 27.9%). The Group always adopts a conservative approach in its financial management.

(2) Significant Investments Held

As at 31 March 2020, the Group had financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of HK$173.2 million and HK$56.7 million respectively, details of which were set out as follows:

Name of Investments	As at 31 March 2020 Amount held	Percentage to Group's net assets	For the year ended 31 March 2020 Fair value gain/(loss)	Bond interest income	Dividends received	Fair value/carrying amount As at 31 March 2020	As at 31 March 2019	Investment costs
	HK$'000	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income:								
A. Equity investments	51,866	1.55	(35,522)	–	4,371	51,866	87,388	73,422
B. Debt investments								
2019 CAP Bonds	–	–	10,864	45,642	–	–	686,877	–
Others	121,354	3.62	(27,292)	14,718	–	121,354	165,146	141,846
Sub-total	173,220	5.17	(51,950)	60,360	4,371	173,220	939,411	215,268
Financial assets at fair value through profit or loss:								
A. Rockpool Capital SPC ("Rockpool")	48,602	1.45	(9,898)	–	–	48,602	–	58,500
B. Unlisted mutual funds	1,780	0.05	(106)	–	–	1,780	1,886	1,614
C. Others	6,293	0.19	823	–	–	6,293	–	5,470
D. Listed perpetual notes	–	–	1,278	1,026	–	–	19,403	–
Sub-total	56,675	1.69	(7,903)	1,026	–	56,675	21,289	65,584
Total	229,895	6.86	(59,853)	61,386	4,371	229,895	960,700	280,852

The principal activities of the securities are as follows:

(a) Rockpool

Rockpool, an exempted company registered as a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability.

(b) Save as disclosed above, the Group also invested in other listed equity securities and listed bond investments in Hong Kong, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2020.

(c) Save as disclosed above, the Group also invested in other unlisted funds and derivative financial instruments, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2020.

(3) Financial Review and Prospect of Significant Investments Held

(a) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include listed equity securities and listed debt investments. The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary. The Group intended to hold these investments for long term purpose aiming to generating a stable income.

As at 31 March 2020, the fair value of the Group's investments in listed bonds and listed equity securities amounted to HK$121.4 million (2019: HK$165.1 million) and HK$51.9 million (2019: HK$87.4 million), respectively.

The Group had recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of HK$52.0 million in the other comprehensive income for the year (2019: loss of HK$41.3 million).

(b) Financial assets at fair value through profit or loss

As at 31 March 2020, the Group maintained an investment portfolio of unlisted funds and derivative financial instruments. The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

The Group had recorded a net loss on change in fair value of financial assets at fair value through profit or loss of HK$7.9 million for the year (2019: gain of HK$0.6 million).

(4) Foreign Exchange

The Board is of the opinion that the Group has material foreign exchange exposure in RMB. All bank borrowings are denominated in Hong Kong dollars and RMB. The revenue of the Group, mostly denominated in Hong Kong dollars and RMB, matches the currency requirements of the Group's operating expenses. Currently, the Group does not have a foreign currency hedging policy.

The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China. The RMB exposure of the Group is mainly derived from currency translation risk arising from the net assets of our mainland subsidiaries. The re-translation of these net assets denominated in RMB into HKD using the exchange rate as of the reporting date resulted in a re-translation loss of HK$83.8 million (2019: loss of HK$13.3 million). The re-translation loss was recognised in other comprehensive income/exchange reserve.

(5) Treasury Policy

With an aim to ensure adequate financial resources are available for business growth whilst maintaining a prudent capital structure, the Group manages its financial risks including currency risk, interest rate risk and price risk. The Group invests its surplus funds in listed debt investments to maximise assets efficiency.

(6) Capital Commitment

As at 31 March 2020, the Group had capital commitment of HK$399.6 million (2019: HK$2.5 million) in respect of the acquisition of property, plant and equipment and construction contracts, which were contracted for but not provided for in the consolidated financial statements.

(7) Pledge of Assets

As at 31 March 2020, certain bank loans of the Group are secured by the Group's property, plant and equipment, owned investment properties and certain rental income generated therefrom, properties held for sale, financial assets at fair value through other comprehensive income, with a total carrying value of HK$2,498.5 million (2019: HK$1,241.0 million).

(8) Financial Guarantee

As at 31 March 2020, the Group provided guarantees of approximately HK$63.5 million to customers in favour of certain banks for the loans provided by the banks to the customers of the properties sold (2019: Nil).

LITIGATION

In 2007, the CAP Group acquired Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") from independent third parties, Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd ("**Tian Jiu**") for their respective 70% and 20% interest in Baisazhou Agricultural (the "**Baisazhou Acquisition**").

Since 2011, the CAP Group has been involved in a number of civil proceedings in mainland China and Hong Kong. The key civil proceedings in mainland China and Hong Kong in respect of the Baisazhou Acquisition are set out below:

In mainland China, proceedings concerning Ms. Wang, Tian Jiu and the CAP Group:

Major allegations of Ms. Wang and Tian Jiu included the following:

a) it is alleged that Baisazhou Agricultural forged share transfer agreements (the "**Contended Agreements**") in relation to the Baisazhou Acquisition wherein the related consideration was understated and the manner of settlement of the consideration was inaccurately described;

b) it is alleged that Baishazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce ("**MOFCOM**") and the Hubei Administration For Industry and Commerce (the "**Hubei AIC**"), and that such documentation and the Contended Agreement involved forged signatures; and

c) it is alleged that MOFCOM and the Hubei AIC approved the Baisazhou Acquisition and processed the related filings on the basis of the above documents that are allegedly forged.

In March 2020, CAP noted the judgment of the Supreme People's Court dated 31 December 2019 ("**31 December Judgment**"). In the 31 December Judgment, the Supreme People's Court dismissed the application of Ms. Wang and Tian Jiu for retrial and for dismissal of (i) the judgment of the Beijing Second Intermediate People's Court dated 31 March 2017 ("**31 March Judgment**") (which dismissed the application made by Ms. Wang and Tian Jiu to revoke the decision issued by MOFCOM that its approval issued in relation to the Contended Agreements shall not be revoked and shall remain to be in force), and (ii) the judgment of the Beijing High People's Court dated 20 December 2018 (which upheld the ruling of the Beijing Second Intermediate People's Court in the 31 March Judgment).

In other words, in the opinion of the Directors and as advised by the PRC legal adviser, the approval issued by MOFCOM in 2007 in relation to the Contended Agreements shall not be revoked and remain to be in force, and the CAP Group continues to be the legal and beneficial owner of Baisazhou Agricultural under the PRC Laws.

This is consistent with the judgment issued by the Higher People's Court of Hubei Province in December 2019 which dismissed the counterclaims made by Ms. Wang and Tian Jiu against CAP therein for orders that (i) the share transfer agreements in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the "**Contended Interests**") were void and invalid from the beginning, (ii) costs of the legal proceedings be paid to Ms. Wang and Tian Jiu, and (iii) the Contended Interests be returned to Ms. Wang and Tian Jiu.

In Hong Kong, CAP as plaintiff against Ms. Wang and Tian Jiu as defendant:

In 2011, CAP issued a Writ of Summons in the Hong Kong Court of First Instance (the "**Court**") against Ms. Wang and Tian Jiu. CAP (as purchaser) sought damages from Ms. Wang and Tian Jiu (as vendors) for their breach of various provisions of the sales and purchase agreements for the Baisazhou Acquisition (the "**SPA**").

In 2012, CAP obtained a court order from the Court to effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to (i) indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the SPA) (the "**Instruments**"); and (ii) enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by CAP on 5 December 2012. The parties are waiting for the Court to hand down the judgement.

For details with regard to the civil proceedings which the CAP Group has been involved in, please refer to the interim/annual reports and announcements issued by the CAP Group.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 March 2020, the Group had 1,795 (2019: 685) employees, of whom 29.2% (2019: 78.8%) were located in Hong Kong and the rest were located in mainland China. The Group remunerated its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options would also be granted to selected staff by reference to the Group's performance as well as the individual's performance. The Group also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Other benefits such as medical and retirement benefits and structured training programs were also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

Besides, the Group understands that it is important to maintain good relationship with the stakeholders, including business partners, suppliers, customers, shareholders, investors and bankers to achieve its long-term business growth and development. With an aim to enhancing the competitiveness of the brands of the Group, it endeavours to provide consistently high quality and large range of products to its customers and to build up and maintain a trustworthy and long-term relationship with its suppliers.

PRINCIPLE RISKS AND UNCERTAINTIES

The Group has examined the principal risks facing the Group through our risk management and internal control system and we consider that the major risks and uncertainties that may affect the Group included:

(i) industrial policy risk: (a) with the deepening of medical system reform and the issuance of a number of industrial policies and laws in respect of medical charge control and control of medicines and certification for Traditional Chinese Medicine significant effect may be brought to the future development of the pharmaceutical industry; and (b) the development, construction, operations and acquisition of agri-produce exchange markets;

(ii) low growth of customer base: due to the decrease in the number of mainland tourists and Hong Kong economy recession this year, the potential of our retail sales growth may face challenges;

(iii) supply chain disruption: due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings;

(iv) cost control: may not always be able to implement cost control measures to effectively counter the effect of rising product cost and/or decrease in income;

(v) allowance for obsolete of inventory: allowance for obsolete of inventory due to weather, expiry date of unsold products and other damages;

(vi) environmental protection policies: environmental impact, efficiency and security of key infrastructure;

(vii) inability to penetrate emerging markets: may not be able to effectively penetrate traditional industries and traditional products into emerging markets;

(viii) respond to customer behaviour: may not be able to respond effectively to economy recession, consumers reduced consumption, reduction in consumer spending and change of impulsive shopping behavior;

(ix) volatility in retail rental: continue increases in retail shops’ rental may reduce our profitability if we are unable to pass on the effect of such increases to our customers; and

(x) foreign exchange: unfavourable fluctuations in the exchange rate may adversely affect the Group’s cash flow and profits.

In response to the above mentioned possible risks, the Group has been closely monitoring the changes in the policies in Hong Kong and mainland China, and would strengthen our interpretation and analysis of policies and adjust strategies in advance to cope with the ever-changing operating environment. In particular, the Group will strengthen the marketing management to cope with changes in consumer behaviour and needs, closely control inventories, establish our own sales policies and product development, safety management and environmental protection level, and push forward the construction of lean management and risk control system. For possible risks, the Company would actively propose solutions to lower their impacts on the business of the Company.

PROSPECTS

The continuous social unrest in Hong Kong and outbreak of COVID-19 pandemic across continents and the Sino-US trade war have created unprecedented risks and challenges to both the PRC and Hong Kong's economy. The retail and trading environment in the PRC, Hong Kong and Macau will become very challenging as full of uncertainties are expected during this critical moment. Looking forward, we anticipate that slower or even negative economic growth, as reduced mainland inbound tourists to Hong Kong and rigid industry policies continue to negatively impact our retail performance, in particular in the individual visit zone of Hong Kong. We consider that retail sales in those areas will likely remain in the doldrums in the near term, while we do believe that the impact of these events on local consumption to be less severe. Facing this challenging environment, we will closely monitor the performance of our distribution channels and retail network in order to maintain competitive advantage through restructuring and integration of retail outlets together with developing and managing a team of experienced and well-trained Chinese doctors to serve our customers. We wish to become the largest Chinese doctor team in Hong Kong. Besides, we will make good use of our recognised brand to promote more business partners to join us as franchisees so as to maintain our strong retail presence in the market as well as lowering our overall operational risk and costs.

In addition, the Group will accelerate the development of its TCM products in mainland China and Macau which can diversify the risk of market uncertainty and explore on the aged group market, in particular the silver hair group, in Hong Kong. The national policy for Guangdong-Hong Kong-Macau Greater Bay Area, as a key development area, provides a bright prospect for TCM development. With the reputation "Wai Yuen Tong" brand established in Hong Kong and overseas over the past centuries, and given that its production factory was granted the certificate of GMP for Proprietary Chinese Medicine of Hong Kong and the standard certificate of the PIC/S by the Therapeutic Goods Administration of Australia in the future when product regulation and market sale of Proprietary Chinese Medicine in the Greater Bay Area integrate, the Group will realise its great potential.

In Macau, the Group will expand its retail market through opening more retail outlets in the coming years. We will also enhance the distribution channel by partnering with distributors and casino operators, etc, which will focus on distributing our TCM products to the key accounts in Macau.

Regarding our Western pharmaceutical business, we expect a favourable growth in the sale of cough syrup to the private clinic market in Hong Kong and to the PRC through other distributors.

The Group will continuously expand cooperation with scientific research institutes and, based on TCM formulas and taking quality control measures as "Made in Hong Kong" products, promote scientific development in terms of regulation of Chinese Medicine. We will continue to enhance our distribution network by penetrating into more local communities and diversify our product range to meet the needs of customers.

During early 2020, CAP has experienced challenges posed by COVID-19. In view of this, most of our agricultural produce exchange markets implemented health and hygiene measures to ensure the safety of all its employees, tenants and visitors. The epidemic has caused adverse impact to the performance of our markets, especially in Hubei Province, the PRC. However, as COVID-19 began to be under control, the performance of our markets has been returned to normal.

Agricultural development is the PRC central government's first priority policy for the next consecutive five years. The PRC government promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agricultural products and improve regional cold storage infrastructure. We believe we could make use of the support from the PRC government and sustain the long term growth with the aim to delivering long term benefits to the shareholders of the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing and strengthening efforts on environmental protection, so as to facilitate industrial upgrading. We proactively implement environmental protection policies, gradually adjust its portfolio, conduct energy-saving, using recycled paper, emission reduction and pollution prevention strategies and so forth. The Group has not only improved the quality management system but also strengthened the quality of the audit to ensure the quality and safety of Chinese and Western pharmaceutical project control.

CORPORATE SOCIAL RESPONSIBILITY

While the Group endeavours to promote business development and strives for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. The Group is conscious of its role as a socially responsible group of companies, it had made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services. Given the support from the management, the Group built up a team of staff volunteers to get involved in volunteer work.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to enhance its shareholder value.

The Board has reviewed the corporate governance practices of the Company and is satisfied that the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the financial year ended 31 March 2020, except for the following deviation:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year under review, Mr. Tang Ching Ho, the chairman of the Board, also assumed the role of managing Director after the re-designation of Mr. Chan Chun Hong, Thomas to executive Director with effect from 1 April 2018 which deviates from code provision A.2.1 of the CG Code since then. Mr. Tang has extensive management experience in corporate management and is responsible for overall corporate planning, strategic policy making of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of various business units in the daily business operation and the Board comprises four executive Directors and four independent non-executive Directors with balance of skill and experience appropriate for the Group's further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole. The Group continues to review and propose, as and when appropriate, by taking into consideration of such deviation and any other relevant factors.

Further details of the Company's corporate governance practices will be set out in the corporate governance report to be contained in the Company's 2020 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established its audit committee (the "**Audit Committee**") with specific terms of reference (as amended from time to time) in accordance with the requirements of the Listing Rules. The Audit Committee comprises Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive Directors, and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

During the year, the Audit Committee held two regular meetings with the management and the external auditor. The Audit Committee review and consider, among other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of interim and final results), the statutory compliance, internal controls and risk management, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed with the Company's management and approved the accounting policies and principles adopted and the Group's consolidated financial statements for the year ended 31 March 2020.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements* or *Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 August 2020 to Monday, 24 August 2020 for determining eligibility to attend and vote at the 2020 annual general meeting. In order to be eligible to attend and vote at the 2020 annual general meeting, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Monday, 17 August 2020.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the shareholders of the Company will be held at Garden Room A–D, 2/F., New World Millennium Hong Kong Hotel of 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, on Monday, 24 August 2020 at 10:30 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

This final results announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.wyth.net). The 2020 annual report containing all the information required by the Listing Rules will be despatched to the Company's 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 and Managing Director

Hong Kong, 30 June 2020

As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Tang Wai Man and the independent non-executive Directors are Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

* *For identification purpose only*