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WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Interim Financial Highlights	Six months ended 30 September		Change
	2020 (Unaudited)	2019 (Unaudited)	
Revenue (HK\$ in million)	509.5	281.6	227.9
Gross profit (HK\$ in million)	172.6	112.5	60.1
Net profit/(loss) attributable to owners of the parent (HK\$ in million)	(233.2)	32.2	(265.4)
Earnings/(loss) per share (HK cents)			
– Basic and diluted	(18.9)	2.6	(21.5)
	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)	
Net asset value (HK\$ in million)	3,309.0	3,351.3	(42.3)
Cash and cash equivalents (HK\$ in million)	539.3	475.7	63.6
Gearing ratio	55.3%	57.6%	(2.3%)

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Director(s)**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019. This interim condensed consolidated financial information was not audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2020

		Six months ended 30 September	
	Notes	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	509,542	281,642
Cost of sales		(336,958)	(169,094)
Gross profit		172,584	112,548
Other income and gains, net	4	55,489	123,475
Selling and distribution expenses		(81,547)	(114,001)
Administrative expenses		(113,334)	(66,664)
Reversal of impairment losses on financial assets, net		2,021	6,622
Other expenses		(211,441)	(2,211)
Finance costs	6	(69,065)	(19,251)
Fair value gains on financial assets and liabilities at fair value through profit or loss, net		178	202
Fair value gains/(losses) on owned investment properties, net		27,777	(16,900)
Share of profits and losses of associates		4,656	8,739
PROFIT/(LOSS) BEFORE TAX	5	(212,682)	32,559
Income tax expense	7	(34,407)	(468)
PROFIT/(LOSS) FOR THE PERIOD		(247,089)	32,091
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		9,185	6,103
Reclassification adjustments for gains/losses included in profit or loss:			
– Impairment losses/(reversal of impairment losses)		200	(6,966)
– Loss/(gain) on disposal/redemption, net		798	(5,361)
		10,183	(6,224)
Share of other comprehensive income/(loss) of associates		9,977	(5,431)
Translation reserve:			
Translation of foreign operations		110,952	5,176
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		131,112	(6,479)

		Six months ended 30 September	
		2020	2019
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Fair value adjustment upon transfer from owner-occupied property to investment property		76,685	–
Share of other comprehensive loss of an associate		(868)	(673)
Equity investments at fair value through other comprehensive income:			
Changes in fair value		(2,151)	(12,101)
		<hr/>	<hr/>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		73,666	(12,774)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		204,778	(19,253)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(42,311)	12,838
		<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) attributable to:			
Owners of the parent		(233,191)	32,213
Non-controlling interests		(13,898)	(122)
		<hr/>	<hr/>
		(247,089)	32,091
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(13,699)	11,606
Non-controlling interests		(28,612)	1,232
		<hr/>	<hr/>
		(42,311)	12,838
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		HK(18.93) cents	HK2.62 cents
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		973,498	974,940
Investment properties		3,426,246	3,190,791
Net investments in subleases		7,084	9,619
Investments in associates		6,234	314,033
Financial assets at fair value through other comprehensive income		163,265	125,100
Deposits	12	19,905	19,905
Deferred tax assets		–	48
		4,596,232	4,634,436
CURRENT ASSETS			
Properties under development		169,282	297,146
Properties held for sale		1,777,519	1,645,165
Inventories		159,249	154,890
Trade receivables	10	64,249	67,302
Loans and interest receivables	11	64,449	68,250
Prepayments, deposits and other receivables	12	294,009	249,376
Net investments in subleases		9,479	10,526
Financial assets at fair value through other comprehensive income		41,721	48,120
Financial assets at fair value through profit or loss		57,116	56,675
Tax recoverable		35,559	14,438
Restricted bank balances		10,900	8,157
Cash and cash equivalents		539,308	475,702
		3,222,840	3,095,747
Assets classified as held for sale	13	112,138	–
Total current assets		3,334,978	3,095,747

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	14	77,875	66,709
Other payables and accruals	15	1,375,570	1,188,483
Contract liabilities	15	568,470	548,829
Financial liabilities at fair value through profit or loss		–	621
Interest-bearing bank and other borrowings		703,220	653,127
Tax payable		70,558	58,006
		<hr/>	<hr/>
Total current liabilities		2,795,693	2,515,775
		<hr/>	<hr/>
NET CURRENT ASSETS		539,285	579,972
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,135,517	5,214,408
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables	15	71,284	81,586
Financial liabilities at fair value through profit or loss		883	–
Unsecured notes		190,109	181,220
Interest-bearing bank and other borrowings		656,227	716,598
Convertible notes		254,367	249,814
Deferred tax liabilities		653,684	633,916
		<hr/>	<hr/>
Total non-current liabilities		1,826,554	1,863,134
		<hr/>	<hr/>
NET ASSETS		3,308,963	3,351,274
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,316	12,316
Reserves		2,274,046	2,287,745
		<hr/>	<hr/>
		2,286,362	2,300,061
Non-controlling interests		1,022,601	1,051,213
		<hr/>	<hr/>
TOTAL EQUITY		3,308,963	3,351,274
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2020

1. BASIS OF PREPARATION

Wai Yuen Tong Medicine Holdings Limited (“**the Company**”) is incorporated in Bermuda as an exempted company with limited liability and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial information.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020.

This financial information has been prepared under the historical cost convention, except for investment properties, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

This financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in current period.

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 prescription, 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income and gains, net, impairment losses on investment in an associate, 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.

Six months ended 30 September

	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 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:												
Sale to external customers	211,357	222,278	17,134	54,223	3,879	5,141	277,172	-	-	-	509,542	281,642
Intersegment sales	867	24	-	-	6,197	6,711	-	-	(7,064)	(6,735)	-	-
Total	212,224	222,302	17,134	54,223	10,076	11,852	277,172	-	(7,064)	(6,735)	509,542	281,642
Segment results	5,672	(51,590)	(21,352)	(12,692)	(5,987)	(9,224)	47,970	-			26,303	(73,506)
Other income and gains, net											55,489	123,475
Unallocated income and expenses, net											(21,290)	(7,100)
Impairment losses on investment in an associate											(208,953)	-
Finance costs											(69,065)	(19,251)
Fair value gains on financial assets and liabilities at fair value through profit or loss, net											178	202
Share of profits and losses of associates, net											4,656	8,739
Profit/(loss) before tax											(212,682)	32,559
Income tax expense											(34,407)	(468)
Profit/(loss) for the period											(247,089)	32,091

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers	436,341	276,501
Revenue from other sources		
Gross rental income from investment properties operating leases	<u>73,201</u>	<u>5,141</u>
	<u>509,542</u>	<u>281,642</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2020

Segments

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) HK\$'000	Production and sale of Western pharmaceutical and health food products (Unaudited) HK\$'000	Management and sale of properties in agricultural produce exchange markets (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of goods or services				
Sale of goods	210,222	17,134	10,638	237,994
Management and promotion services	1,135	–	–	1,135
Sale of properties	–	–	109,008	109,008
Commission income from agricultural produce exchange markets	–	–	67,134	67,134
Agricultural produce exchange markets ancillary services	<u>–</u>	<u>–</u>	<u>21,070</u>	<u>21,070</u>
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>
Geographical markets				
Hong Kong	174,118	7,537	–	181,655
Mainland China	29,015	8,313	207,850	245,178
Macau	6,344	1,096	–	7,440
Others	<u>1,880</u>	<u>188</u>	<u>–</u>	<u>2,068</u>
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Management and sale of properties in agricultural produce exchange markets (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Timing of revenue recognition				
Goods or services transferred at a point in time	210,222	17,134	186,780	414,136
Services transferred over time	1,135	–	21,070	22,205
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>

* Gross rental income from investment properties operating leases of HK\$69,322,000 (six months ended 30 September 2019: Nil) was included in management and sale of properties in agricultural produce exchange markets segment.

For the six months ended 30 September 2019

Segments

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Type of goods or services			
Sale of goods	221,800	54,223	276,023
Management and promotion services	478	–	478
Total revenue from contracts with customers	<u>222,278</u>	<u>54,223</u>	<u>276,501</u>
Geographical markets			
Hong Kong	182,339	22,300	204,639
Mainland China	27,329	28,089	55,418
Macau	11,683	3,514	15,197
Others	927	320	1,247
Total revenue from contracts with customers	<u>222,278</u>	<u>54,223</u>	<u>276,501</u>
Timing of revenue recognition			
Goods transferred at a point in time	221,800	54,223	276,023
Services transferred over time	478	–	478
Total revenue from contracts with customers	<u>222,278</u>	<u>54,223</u>	<u>276,501</u>

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30 September 2020

Segments

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Management and sale of properties in agricultural produce exchange markets (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue from contracts with customers				
External customers	211,357	17,134	207,850*	436,341
Intersegment sales	867	–	–	867
	<u>212,224</u>	<u>17,134</u>	<u>207,850*</u>	<u>437,208</u>
Segment revenue	212,224	17,134	207,850*	437,208
Intersegment adjustments and eliminations	(867)	–	–	(867)
	<u>(867)</u>	<u>–</u>	<u>–</u>	<u>(867)</u>
Total revenue from contracts with customers	<u><u>211,357</u></u>	<u><u>17,134</u></u>	<u><u>207,850*</u></u>	<u><u>436,341</u></u>

For the six months ended 30 September 2019

Segments

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue from contracts with customers			
External customers	222,278	54,223	276,501
Intersegment sales	24	–	24
	<u>222,302</u>	<u>54,223</u>	<u>276,525</u>
Segment revenue	222,302	54,223	276,525
Intersegment adjustments and eliminations	(24)	–	(24)
	<u>(24)</u>	<u>–</u>	<u>(24)</u>
Total revenue from contracts with customers	<u><u>222,278</u></u>	<u><u>54,223</u></u>	<u><u>276,501</u></u>

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Interest income on loan receivables	1,902	–
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	7,953	46,215
Finance income on net investments in subleases	370	365
Interest income on bank deposits	2,092	447
Dividends from financial assets at fair value through other comprehensive income	2,258	3,704
Rental income from other properties	19,268	–
Government subsidies*	8,941	–
Others	1,186	8,642
	<u>43,970</u>	<u>59,373</u>
Gains, net		
Gain on disposal of items of property, plant and equipment	–	56,403
Gain on termination of lease contracts	11,292	–
Gain on disposal of an investment property	–	7,527
Loss on disposal of subsidiaries	–	(2,548)
Gain on disposal/redemption of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, net	–	463
Exchange gains, net	227	2,257
	<u>11,519</u>	<u>64,102</u>
Other income and gains, net	<u><u>55,489</u></u>	<u><u>123,475</u></u>

* Government subsidies represent: (i) The People's Republic of China (the "PRC") government subsidies of HK\$5,701,000 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; (ii) one-off subsidies of HK\$3,080,000 granted from Anti-Epidemic Fund under The Government of the Hong Kong Special Administrative Region's Retail Sector Subsidy Scheme and Food Licence Holders Subsidy Scheme; and (iii) one-off subsidies of HK\$160,000 granted from The Government of Macao Special Administrative Region's 10-Billion-Pataca Fund. The Group has complied with all attached conditions before 30 September 2020 and recognised in profit or loss as "Other income and gains, net".

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories recognised as an expense	155,048	169,094
Cost of properties sold	97,432	–
Cost of services provided	84,478	–
Depreciation of owned assets	26,598	26,869
Depreciation of right-of-use assets	15,289	28,514
Foreign exchange differences, net	(227)	(2,257)
Reversal of impairment losses on financial assets, net:		
Impairment losses/(reversal of impairment losses) on trade receivables, net	(2,047)	563
Reversal of impairment losses on financial assets included in prepayments, deposits and other receivables	(78)	–
Impairment losses/(reversal of impairment losses) on debt investments at fair value through other comprehensive income, net	200	(6,966)
Reversal of impairment losses on loans and interest receivables, net	(96)	(219)
	(2,021)	(6,622)
Gross rental income	(92,469)	(5,141)
Less: direct outgoing expenses	361	151
	(92,108)	(4,990)
Loss/(gain) on disposal/redemption of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, net*	798	(463)
Loss on disposal of subsidiaries	–	2,548
Impairment losses on items of property, plant and equipment, net*	–	2,211
Write down of properties held for sale to net realisable value*	1,690	–
Impairment losses on investment in an associate (note 13)*	208,953	–
Fair value losses on sub-leased investment properties**	2,104	–

* There expenses are included in “Other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

** There expenses are included in “Cost of services provided” above.

Note: Wage subsidies of HK\$13,459,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to August 2020 had been received during the six months ended 30 September 2020. The amount was recognised in “Administrative expenses” and had been offset with the employee benefit expenses.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	29,105	16,585
Interest on lease liabilities	3,375	2,666
Interest on unsecured notes	10,331	–
Interest on Promissory Notes included in other payables and accruals	11,750	–
Interest on convertible notes	14,504	–
	<u>69,065</u>	<u>19,251</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong	1,234	500
Current – other jurisdiction	33,360	–
Deferred tax credit	(187)	(32)
	<u>34,407</u>	<u>468</u>

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period of 1,231,642,888 (six months ended 30 September 2019: 1,231,642,888).

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2020 and 2019 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share amount are based on:

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	(233,191)	32,213
	1,231,642,888	1,231,642,888
	1,231,642,888	1,231,642,888

10. TRADE RECEIVABLES

	30 September	31 March
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	81,003	86,103
Less: Accumulated impairment	(16,754)	(18,801)
	64,249	67,302

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 7 to 120 days. Each customer has a maximum credit limit and the credit limit is reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's associates of HK\$19,143,000 (31 March 2020: HK\$14,805,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 1 month	18,599	24,426
1 to 3 months	28,843	25,600
3 to 6 months	9,166	12,078
Over 6 months	7,641	5,198
	<u>64,249</u>	<u>67,302</u>

11. LOANS AND INTEREST RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Loans receivables, secured	36,863	35,381
Loans receivables, unsecured	7,282	15,288
Interest receivables	21,498	18,871
	<u>65,643</u>	<u>69,540</u>
Less: Impairment allowance	<u>(1,194)</u>	<u>(1,290)</u>
	<u>64,449</u>	<u>68,250</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Prepayments	34,068	25,785
Deposits paid for the acquisition of property, plant and equipment	6,563	2,254
Rental and other deposits	100,640	103,974
Other receivables	111,647	89,763
Right-of-return assets	1,849	1,848
Cost of obtaining contracts	59,904	46,492
	<u>314,671</u>	<u>270,116</u>
Less: Impairment allowance	<u>(757)</u>	<u>(835)</u>
	<u>313,914</u>	<u>269,281</u>
Less: Deposits classified as non-current assets	<u>(19,905)</u>	<u>(19,905)</u>
	<u>294,009</u>	<u>249,376</u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

**30 September
2020
(Unaudited)
HK\$'000**

Assets classified as held for sale

Investment in an associate

– Easy One Financial Group Limited (“**Easy One**”)

112,138

Note:

On 4 May 2020, Caister Limited (“**Caister**”), which is wholly and beneficially owned by Mr. Tang Ching Ho (“**Mr. Tang**”), the controlling shareholder of Wang On Group Limited (“**Wang On**”), the ultimate holding company of the Company, and is a director of the Company, requested the board of Easy One to put forward a proposal of privatisation of Easy One at the cancellation consideration, comprising the cash consideration of HK\$0.3 per share of Easy One and the consideration shares on the basis of eight (8) ordinary shares of Wang On held by Caister, for each share of Easy One (the “**Proposal**”).

The Proposal was approved by the shareholders of Easy One at the court meeting held on 8 September 2020 and was sanctioned by the Bermuda Court on 17 September 2020. The Proposal became effective on 16 October 2020. The shortfall between the fair value of the cancellation consideration and the carrying value of Easy One of HK\$208,953,000 was recognised as impairment losses on investment in an associate included in “Other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

Further details of the Proposal are set out in the Company’s circular dated on 24 July 2020.

14. TRADE PAYABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade payables	77,875	66,709

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 1 month	14,276	6,751
1 to 3 months	7,482	3,625
3 to 6 months	2,607	4,470
Over 6 months	53,510	51,863
	77,875	66,709

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.

15. OTHER PAYABLES AND ACCRUALS/CONTRACT LIABILITIES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Receipts in advance	204,430	95,606
Rental and other deposits received	102,544	92,854
Contract liabilities	568,470	548,829
Refund liabilities	2,510	2,508
Other payables	272,614	213,392
Accruals	82,129	82,159
Lease liabilities	128,764	141,437
Promissory Notes*	376,000	376,000
Accrued interest on Promissory Notes*	277,863	266,113
	2,015,324	1,818,898
Less: Portion classified as non-current liabilities	(71,284)	(81,586)
Portion classified as current liabilities	1,944,040	1,737,312
Represented by:		
Contract liabilities	568,470	548,829
Current portion of other payables and accruals	1,375,570	1,188,483
Portion classified as current liabilities	1,944,040	1,737,312

* On 5 December 2007, China Agri-Products Exchange Limited (“CAP”, stock code: 149, together with its subsidiaries, collectively the “CAP Group”), which was acquired by the Group on 12 February 2020, issued two promissory notes with an aggregate amount of HK\$376,000,000 as part of the consideration for the acquisition of Wuhan Baisazhou Market (the “Promissory Notes”). The Promissory Notes bore interest at 5% per annum and were repayable in five years from the date of issue. CAP may, at its absolute discretion, pay all or any part of the outstanding principal amount and interest of the Promissory Notes.

As at 30 September 2020, the Group was in the process of pursuing a litigation regarding the Promissory Notes.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2020 (the “**Period**”), the Group recorded a revenue of HK\$509.5 million (2019: HK\$281.6 million), increases of 80.9% against the same period of 2019. Reeling from the uncertainties of the US-China trade conflict, unprecedented levels of social unrest, and the COVID-19 pandemic continued to inflict severe impacts on global and local economic activities, revenue of both Traditional Chinese Medicine (“**TCM**”) and health food products and Western pharmaceutical and health food products dropped by 4.9% to HK\$211.4 million (2019: HK\$222.3 million) and by 68.5% to HK\$17.1 million (2019: HK\$54.2 million), respectively. In February 2020, 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**”, together with its subsidiaries, collectively the “**CAP Group**”) (stock code: 149). Since the acquisition, this new business contributed revenue of HK\$277.2 million to the Group for the Period.

For the Period, the Group recorded a loss attributable to owners of the parent amounting to HK\$233.2 million (2019: a profit of HK\$32.2 million). Such loss was mainly attributable to (i) the impairment of the Group’s investment in Easy One Financial Group Limited (“**Easy One**”), an associate of the Company, which was measured at fair value less costs to sell and such valuation is lower than its carrying amount, and (ii) the absence of material gain on disposal of items of property, plant and equipment and an investment property as recorded in the corresponding period in 2019.

BUSINESS REVIEW

(1) Chinese Pharmaceutical and Health Food Products

According to the latest retail sales figures released by the Census and Statistics Department of Hong Kong on 2 November 2020, the provisional estimate for the value of total retail sales for the first nine months of 2020 decreased by 28.7% compared with the same period in 2019. The decline was primarily due to the economic recession deepened in Hong Kong in the first quarter of 2020, as the threat of COVID-19 pandemic and the necessary anti-pandemic measures seriously disrupted a wide range of local economic activities and supply chains in the region. With the disease evolving into a pandemic in the second quarter of 2020, the economic fallout became even more severe. Under these adverse conditions, revenue of Chinese pharmaceutical and health food products decreased by HK\$10.9 million or 4.9% against the same period of 2019.

The Hong Kong economy remained very weak in the second quarter of 2020 as inbound tourism was frozen by widespread travel restrictions and as cross-boundary transport and commercial services plummeted in tandem. Domestic demand took a big hit. Private consumption expenditure recorded the steepest ever decline in the second quarter as local consumption activities were severely disrupted by the continuous threat of COVID-19 pandemic and social distancing requirements throughout the quarter and outbound tourism came to a halt amid stringent travel restrictions.

Despite the weak consumer sentiment and subdued economic conditions, TCM has demonstrated a remarkable clinical value on COVID-19 pandemic crisis, and the People's Republic of China (the "PRC") government has continued to update TCM solution with Angong Niuhuang Wan (安宮牛黃丸) chosen as one of the treatments. We have launched different new advertising contents to stress its efficacy as a TCM emergency medicine in the market.

In addition, upon the outbreak of COVID-19 across the world, a series of precautionary and control policies were implemented in China, Hong Kong and Macau, including travel restriction and regional lockdown. All those stringent measures have adversely affected on overall performance especially in tourist business sector. In order to strive with market key competitors in Hong Kong and Macau, the Company vigorously expands its market share by expanding retail outlets. We have focused the retail operation in domestic sector, and also on our Chinese medical clinics service.

The number of Chinese medical service affiliated in our retail outlets has been increased from 60 as at 31 March 2020 to 62 as at 30 September 2020. The number of Macau retail outlets has increased from 3 to 5 and the Group will further explore the opportunities in the supply chain of pharmacy in Macau.

The Group will continue to improve the performance of the existing retail outlet portfolio and mixture in order to counteract the negative impact from current uncertain business environment.

(2) Western Pharmaceutical and Health Food Products

Revenue of the Western pharmaceutical and health food products decreased by 68.5% to HK\$17.1 million since the consumer sentiment stayed weak for the six months ended 30 September 2020.

The two major product series, "Madame Pearl's" and "Pearl's" under this business segment encountered different challenges during the Period. After the relocation of the production facilities by the end of 2018, the production volume of Madame Pearl's cough syrup started picking up in 2019. In order to maximise the benefits on the increased production capacity, the Group started supplying local clinics and aimed to cover more than 400 local private clinics by the end of 2020. In the coming year, the Group will launch more products for clinics in order to maximise the potential of this new channel in generating revenue. Despite the additional sales of cough syrup

through this new channel, revenue of this business segment was still affected due to the COVID-19 pandemic which has significant negative impact on cough and cold market for both Over-The-Counter and clinic channels.

The Pearl's product series, which comprises MosquitOut spray, patch and itch-relief products, faced severe price competition and are further deteriorated during the COVID-19 pandemic. Despite a highly competitive market environment, Pearl's MosquitOut still remains as a leading brand in this product category.

During the Period, the Group placed substantial resources in revamping its Western pharmaceutical and personal care product distribution channels in order to improve business efficiency. More resources were put on branding with an aim to strengthening the brand loyalty for both "Madame Pearl's" and "Pearl's". To comply with the development of relevant regulations in mainland China, the Group has engaged various local industry players to rejuvenate the penetration of its upper respiratory product series under the "Madame Pearl's" into mainland China.

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

(3) Property Investment

At the end of the Period, the Group owned 11 properties in Hong Kong which are retail properties and industrial building. A majority of these properties were self-use as the retail shops while some were leased out for generating rental income. The Group also owned agricultural produce exchange markets in mainland China. The net fair value gains on owned investment properties amounted to HK\$27.8 million (six months ended 30 September 2019: losses of HK\$16.9 million).

(4) 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.

On 12 February 2020, the acquisition of 53.37% equity interests in CAP was completed and CAP was accounted for as a subsidiary of the Company since then.

The CAP Group managed 11 agricultural produce exchange markets in mainland China, across five provinces. During the Period, CAP recorded revenue of HK\$277.2 million which included (i) HK\$109.0 million generated from property sales, (ii) HK\$10.6 million generated from sale of goods, (iii) HK\$67.1 million generated from commission income from agricultural produce exchange markets, (iv) HK\$21.1 million generated from agricultural produce exchange markets ancillary services and (v) HK\$69.3 million generated from rental income from investment properties operating leases.

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 market 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. In 2020, Wuhan Baisazhou Market was awarded top 10 of agricultural produce exchange markets by China Agricultural Wholesale Market Association. The award recognises the effort and contribution of the CAP Group in the agricultural market and it acknowledges the expertise of the CAP Group as an agricultural produce exchange market operator in the PRC. Rental income from properties letting and commission income are 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 (the “**Guangxi Region**”) with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres. It consists of various types of market stalls and multi-storey godown. As an energetic agricultural produce exchange market with continuously remarkable performance, Yulin Market has become one of the key agricultural produce exchange markets in the Guangxi Region. 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 and rental income from properties letting are the major income generated from Luoyang Market.

COVID-19 Pandemic

The outbreak of the COVID-19 pandemic significantly affected the market performance in the early 2020. The market maintained limited operation during the pandemic as required by the local government. As the pandemic was gradually brought under control, the operation of agricultural produce exchange markets had returned to normal and reported a steady and satisfactory result.

(5) Investment in Easy One

Easy One, a company formerly listed on the Main Board of the Stock Exchange, is principally engaged in the businesses of property development in mainland China, provision of finance and securities brokerage services in Hong Kong.

As at 30 September 2020, the Group held 29.06% (31 March 2020: 29.06%) of the issued share capital of Easy One. The Group's share of profit of Easy One during the Period amounted to HK\$4.2 million (six months ended 30 September 2019: HK\$8.9 million). Impairment losses on investment in Easy One of HK\$209.0 million was recorded as other expenses during the Period (six months ended 30 September 2019: Nil).

On 4 May 2020, Caister Limited ("**Caister**"), a company wholly owned by Mr. Tang Ching Ho, the controlling shareholder 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), and is chairman and managing director 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 to the other shareholders of Easy One for the privatisation of Easy One (the "**Proposal**") by way of a scheme of arrangement ("**the Scheme**") under Section 99 of the Bermuda Companies Act 1981.

Pursuant to the Proposal, all the ordinary shares of HK\$0.01 each in Easy One (the "**Scheme Share(s)**") were 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 shares of Wang On as held by Caister, for each Scheme Share (the "**Consideration**"). The Proposal, upon implementation, constituted 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 dated 4 May 2020.

On 26 August 2020, at the respective special general meeting of the Company and Wang On, the independent shareholders of the Company and Wang On respectively approved the Proposal and the disposal of the Scheme Shares held by the Group in exchange for the Consideration. On 8 September 2020, the resolution proposed at the meeting of the shareholders of the Scheme Shares (“**Scheme Shareholders**”) to approve the Scheme was duly passed by the Scheme Shareholders. On 17 September 2020, the Scheme was sanctioned by the Supreme Court of Bermuda without modification. The Scheme eventually became effective on 16 October 2020 when all the conditions to the implementation of the Proposal were fulfilled.

Details of the transaction were set out in the joint announcement published by the Company, Wang On, Easy One and Caister dated 4 May 2020; the scheme document dated 12 August 2020 jointly issued by Easy One and Caister in relation to the Proposal and the Scheme; the circulars of the Company and Wang On dated 24 July 2020 respectively and their respective poll results announcements dated 26 August 2020 in respect of the disposal of the entire shareholdings in Easy One of the Company and Wang On; the respective joint announcements of Easy One and Caister dated 8 September 2020, 18 September 2020, 12 October 2020 and 16 October 2020.

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

The Group has maintained a portfolio of listed equity securities and listed/unlisted bonds in Hong Kong which are held for long term investment purpose with an aim to generating stable income. As at 30 September 2020, the Group’s investment in bonds amounted to HK\$155.3 million and carried annual interest rates ranging from 6.25% to 12.85%.

As at 30 September 2020, the fair value of financial assets at fair value through other comprehensive income was HK\$205.0 million (31 March 2020: HK\$173.2 million). During the Period, the Group has recorded a net gain on change in fair value of financial assets at fair value through other comprehensive income of HK\$7.0 million (six months ended 30 September 2019: net loss of HK\$6.0 million).

(7) Convertible Notes

On 19 October 2016, CAP issued Convertible Notes with an aggregate principal amount of HK\$500 million which will mature on 18 October 2021. The Convertible Notes are convertible into ordinary shares of CAP at a conversion price of HK\$0.4 per ordinary share of CAP. During the Period, no Convertible Notes were converted into ordinary shares of CAP by the Convertible Notes’ holders. As at 30 September 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 30 September 2020, the Unsecured Notes had an outstanding principal amount of HK\$290.0 million.

FINANCIAL REVIEW

(1) Liquidity and Gearing and Financial Resources

Liquidity and Gearing and Financial Resources As at 30 September 2020, the Group had total assets of HK\$7,931.2 million (31 March 2020: HK\$7,730.2 million) which were financed by current liabilities of HK\$2,795.7 million (31 March 2020: HK\$2,515.8 million), non-current liabilities of HK\$1,826.6 million (31 March 2020: HK\$1,863.1 million) and shareholders’ equity of HK\$3,309.0 million (31 March 2020: HK\$3,351.3 million).

As at 30 September 2020, the Group’s cash and cash equivalents were HK\$539.3 million (31 March 2020: HK\$475.7 million).

As at 30 September 2020, the Group’s total interest-bearing debts amounted to HK\$1,803.9 million (31 March 2020: HK\$1,800.8 million), all of which bore interest at fixed and floating interest rates and were denominated in Hong Kong dollars and Renminbi (“RMB”).

	As at 30 September 2020		As at 31 March 2020	
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>effective</i>	<i>effective</i>	<i>effective</i>	<i>effective</i>
	<i>HK\$ million</i>	<i>interest rate</i>	<i>HK\$ million</i>	<i>interest rate</i>
Unsecured notes	190	12%	181	12%
Convertible notes	254	12%	250	12%
Financial institution borrowings	1,285	4%	1,295	4%
Non-financial institution borrowings	75	10%	75	10%
	<u> </u>		<u> </u>	
Total	<u>1,804</u>		<u>1,801</u>	

The current ratio, being a ratio of total current assets to total current liabilities, was 1.2 (31 March 2020: 1.2). 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 55.3% (31 March 2020: 57.6%). The Group always adopts a conservative approach in its financial management.

(2) Significant Investments Held

As at 30 September 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\$205.0 million and HK\$57.1 million respectively, details of which were set out as follows:

Name of Investments	As at 30 September 2020		For six months ended 30 September 2020			Fair value/carrying amount		
	Amount held <i>HK\$'000</i>	Percentage to Group's net assets %	Fair value gain/(loss) <i>HK\$'000</i>	Bond interest income <i>HK\$'000</i>	Dividends received <i>HK\$'000</i>	As at	As at	Investment costs <i>HK\$'000</i>
						30 September 2020 <i>HK\$'000</i>	31 March 2020 <i>HK\$'000</i>	
Financial assets at fair value through other comprehensive income:								
A. Equity investments	49,715	1.50	(2,151)	–	2,258	49,715	51,866	73,422
B. Debt investments	155,271	4.69	9,185	7,953	–	155,271	121,354	165,894
Sub-total	204,986	6.19	7,034	7,953	2,258	204,986	173,220	239,316
Financial assets at fair value through profit or loss:								
A. Rockpool Capital SPC (“Rockpool”)	51,324	1.55	2,722	–	–	51,324	48,602	58,500
B. Unlisted mutual funds	1,989	0.06	209	–	–	1,989	1,780	1,614
C. Others	3,803	0.12	(2,490)	–	–	3,803	6,293	5,470
Sub-total	57,116	1.73	441	–	–	57,116	56,675	65,584
Total	262,102	7.92	7,475	7,953	2,258	262,102	229,895	304,900

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 equity securities and bonds, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 30 September 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 30 September 2020.

(3) Financial Review and Prospects 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/unlisted 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 30 September 2020, the fair value of the Group's investment in bonds and equity securities amounted to HK\$155.3 million (31 March 2020: HK\$121.4 million) and HK\$49.7 million (31 March 2020: HK\$51.9 million), respectively.

The Group recorded a net gain on change in fair value of financial assets at fair value through other comprehensive income of HK\$7.0 million in the other comprehensive income for the Period (six months ended 30 September 2019: net loss of HK\$6.0 million).

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

As at 30 September 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 gain on change in fair value of financial assets at fair value through profit or loss of HK\$0.4 million for the Period (six months ended 30 September 2019: HK\$0.2 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 gain of HK\$111.0 million (six months ended 30 September 2019: HK\$5.2 million). The re-translation gain was recognised in other comprehensive income/exchange reserve.

(5) Treasury Policy

With an aim to ensuring 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 debt investments to maximise assets efficiency.

(6) Capital Commitment

As at 30 September 2020, the Group had capital commitment of HK\$378.8 million (31 March 2020: HK\$399.6 million) in respect of the acquisition of property, plant and equipment and construction contracts, which were contracted for but not provided for in the unaudited interim condensed consolidated financial information.

(7) Pledge of Assets

As at 30 September 2020, certain bank loans of the Group were 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\$2,639.7 million (31 March 2020: HK\$2,498.5 million).

(8) Financial Guarantee

As at 30 September 2020, the Group provided guarantees of approximately HK\$63.2 million to customers in favour of certain banks for the loans provided by the banks to the customers of the properties sold (31 March 2020: HK\$63.5 million).

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 30 September 2020, the Group had 1,881 (31 March 2020: 1,803) employees, of whom 31.2% (31 March 2020: 29.5%) were located in Hong Kong and Macau 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 relationships with its employees, business partners, suppliers, customers, shareholders, investors and bankers (the “**Stakeholder(s)**”) 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.

PROSPECTS

2020 was still a year fraught with challenges for all people in Hong Kong and the year has tested Hong Kong's resilience on all fronts. The economy, in turn, suffered a significant downturn – with the consumption and tourism being two of the hardest hit sectors. The sharp deterioration of labor market conditions also dented consumer sentiment further. Overall investment expenditure continued to tumble amid negative business environment and subdued private construction activities. Yet, as the local epidemic situation was largely under control in August and September, and the recovery of the Mainland economy also rendered support to Hong Kong's exports of goods, the overall economic situation showed signs of stabilisation during the second half of the Period.

Looking forward, 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. Furthermore, the Group will further explore new product development and develop new sales platform.

Guangdong-Hong Kong-Macau and the Greater Bay Business Development

Due to the uncertain social conditions in Hong Kong, the Group will continue to push forward its development in the Guangdong-Hong Kong-Macau Greater Bay Area in order to broaden the distribution network and help strengthen the Group's sales and brand recognition. The restoration of import registration license for Wai Yuen Tong (Macao) Limited (“**WYT Macao**”) is a milestone of business development in Macau. It is not only reducing the number of purchases of all products but also reducing the number of re-processing product imports; hence greatly reducing the shipment and administrative cost. Also, WYT Macao can form its own sales team to directly sell its products to pharmacies/supermarkets/chain stores in wholesales, which can greatly reduce the profit sharing to distributors and thus increase profit margin.

Besides, the setup of 位元堂(珠海橫琴)保健食品有限公司 in Hengqin is committed to developing itself into a new economic engine and a fascinating city with distinctive characteristics for the Greater Bay Area. The Hengqin New Area of Zhuhai in the China (Guangdong) Pilot Free Trade Zone is an important platform for deepening cooperation between Guangdong and Macau and promoting an appropriate level of diversified economic development in Macau, e.g. scientific research and medical development. A renowned Hengqin Medicine Garden can be built for developing medical tourism and health care projects.

New Product Development

Subsequent to the outbreak of COVID-19, we believe that TCM plays an increasingly significant role in the fight against this global pandemic. Prevention comes before cure and consumer health awareness will increase.

We continue to ride on the development trend of the comprehensive new healthcare product to satisfy the extensive market demands.

To focus on our TCM core businesses and enrich product mix on health supplement aspects. We will ride on the development trend and leverage the advantage to TCM product to various aspects. We have successfully launch our new product range – PROVET as we believe “Tonic and health preservation are not just human patent” (“調補養生，不止是人的專利”). Wai Yuen Tong’s pet supplement product range “ProVet” is Hong Kong’s first-ever pet wellness product developed by a team of professional Chinese Medicine Veterinarians and validated Wai Yuen Tong’s Chinese Medicine Practitioners. The development of PROVET line is greatly welcome by the market as our supplements are made with Chinese herbs for dogs and cats and tailored to their health needs and ages. The Chinese Medicine diagnoses through symptoms, and then addresses the underlying causes of the issues. It not only treats symptoms but also improves the overall health of pets so that future issues can be prevented, providing long-term health benefits to your loving four-legged friends!

At last but not least, continuous investment has been made in the diversification of sales channels. A newly development of online shopping platforms as JD.Com/TMall provide customers with seamless online and offline shopping experience. We devote more focus on health products through online platforms in order to fight against the weakened retail market might occur in the rest of the year.

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

The Group will continuously expand cooperation with scientific research institutes and, based on TCM formulas and taking “Made in Hong Kong” as quality control, 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.

Management and Sale of Properties in Agricultural Produce Exchange Markets

Agricultural development is the PRC central government’s first priority policy for the next consecutive years. In 2020, the Central Committee of Communist Party of China and the State Council of China released the “No. 1 Central Document of 2020”. The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agriculture and improve regional cold storage infrastructure. We believe we could make use of the support from the PRC government to sustain the long term growth with the aim to delivering long term benefits to the shareholders of the Group.

In addition, by taking Wuhan Baisazhou Market as the pilot site, CAP had strategically extended its footprints to the business of food and agricultural by-products merchandising and the business was gradually improving during the Period. CAP would closely monitor the performance of this new business and would launch this new service to other markets when the business model becomes mature.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules throughout the Period, except for the following deviation:

Code provision A.2.1

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. 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 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 and its shareholders as a whole.

Ms. Mak Yuen Ming, Anita had tendered her resignation as the company secretary of the Company (the “**Company Secretary**”) with effect from 10 November 2020. The Company is in the process of identifying suitable candidate to fill in the vacancy of Company Secretary as soon as practicable. Further announcement will be made once the new Company Secretary is appointed.

The Group continues to review and propose, as and when appropriate, by taking into consideration of such deviation and any other relevant factors, so as to maintain a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company’s competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group’s financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited condensed consolidated financial information for the six months ended 30 September 2020 of the Group. The Audit Committee comprises the four independent non-executive Directors, namely Messrs. Li, Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (www.hkexnews.hk) and the Company at (www.wyth.net). The 2020 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 25 November 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. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

* For identification purpose only