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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 2021

<b>Interim Financial Highlights</b>			
	<b>Six months ended</b>		<b>Change</b>
	<b>2021</b>	<b>2020</b>	
<i>HK\$' million</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b> <b>(Restated)</b>	
Revenue	<b>656.1</b>	509.5	<b>28.8%</b>
Gross profit	<b>275.2</b>	172.6	<b>59.4%</b>
Profit/(loss) attributable to owners of the parent	<b>14.1</b>	(226.9)	<b>106.2%</b>
Earnings/(loss) per share ( <i>HK cents</i> )			
— Basic and diluted	<b>1.15</b>	(18.42)	<b>19.57</b>
	<b>As at</b>	<b>As at</b>	
	<b>30 September</b>	<b>31 March</b>	
	<b>2021</b>	<b>2021</b>	
	<b>(Unaudited)</b>	<b>(Audited)</b>	
Net asset value	<b>4,039.1</b>	3,950.3	<b>2.2%</b>
Cash and cash equivalents	<b>516.1</b>	507.2	<b>1.8%</b>
Gearing ratio	<b>50.1%</b>	45.0%	<b>5.1%</b>

\* For identification purpose only

## 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 2021, together with the comparative figures for the corresponding period in 2020. This interim condensed consolidated financial information was not audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
			(Restated)
<b>REVENUE</b>	5	<b>656,082</b>	509,542
Cost of sales		<b>(380,869)</b>	(336,958)
Gross profit		<b>275,213</b>	172,584
Other income and gains, net	5	<b>41,736</b>	55,489
Selling and distribution expenses		<b>(109,539)</b>	(81,547)
Administrative expenses		<b>(136,081)</b>	(113,334)
Reversal of impairment losses/(impairment losses) on financial assets, net		<b>(4,792)</b>	2,021
Other expenses, net		<b>6,776</b>	(211,441)
Finance costs	7	<b>(47,882)</b>	(57,315)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net		<b>(5,201)</b>	178
Fair value gains on owned investment properties, net		<b>34,000</b>	27,777
Share of profits and losses of associates		<b>59</b>	4,656
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>54,289</b>	(200,932)
Income tax expense	8	<b>(18,969)</b>	(34,407)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>35,320</b>	(235,339)



	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>62,383</b>	204,778
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>97,703</b>	<b>(30,561)</b>
Profit/(loss) attributable to:		
Owners of the parent	<b>14,109</b>	(226,920)
Non-controlling interests	<b>21,211</b>	( 8,419)
	<b>35,320</b>	<b>(235,339)</b>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	<b>81,851</b>	( 7,428)
Non-controlling interests	<b>15,852</b>	( 23,133)
	<b>97,703</b>	<b>( 30,561)</b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
		<b>(Restated)</b>
Basic and diluted	<b>HK1.15 cents</b>	<b>HK(18.42) cents</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

		<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>973,646</b>	961,775
Investment properties		<b>3,576,198</b>	3,507,623
Net investments in subleases		<b>9,177</b>	4,496
Investments in associates		<b>2,891</b>	2,832
Financial assets at fair value through other comprehensive income		<b>176,055</b>	234,871
Deposits	13	<b>14,307</b>	19,134
Deferred tax assets		<b>48</b>	48
		<hr/>	<hr/>
Total non-current assets		<b>4,752,322</b>	4,730,779
<b>CURRENT ASSETS</b>			
Properties under development		<b>72,962</b>	68,528
Properties held for sale		<b>1,776,669</b>	1,886,497
Inventories		<b>176,398</b>	162,670
Trade receivables	11	<b>77,812</b>	53,300
Loans and interest receivables	12	<b>29,831</b>	30,301
Prepayments, deposits and other receivables	13	<b>302,438</b>	308,632
Net investments in subleases		<b>8,218</b>	8,852
Financial assets at fair value through other comprehensive income		<b>57,852</b>	47,944
Financial assets at fair value through profit or loss		<b>153,401</b>	102,603
Tax recoverable		<b>28,715</b>	34,884
Pledged deposits		<b>30,131</b>	—
Restricted bank balances		<b>21,547</b>	22,302
Cash and cash equivalents		<b>516,085</b>	507,234
		<hr/>	<hr/>
		<b>3,252,059</b>	3,233,747
Asset classified as held for sale	14	<b>28,400</b>	—
		<hr/>	<hr/>
Total current assets		<b>3,280,459</b>	3,233,747

		<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	15	91,270	72,204
Other payables and accruals	16	746,282	809,710
Contract liabilities	16	451,444	596,568
Financial liabilities at fair value through profit or loss		—	37
Interest-bearing bank and other borrowings		798,463	628,736
Convertible notes		134,484	131,901
Tax payable		143,629	132,239
		<u>2,365,572</u>	<u>2,371,395</u>
Total current liabilities			
		<u>2,365,572</u>	<u>2,371,395</u>
<b>NET CURRENT ASSETS</b>			
		<u>914,887</u>	<u>862,352</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>5,667,209</u>	<u>5,593,131</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	16	75,387	56,089
Financial liabilities at fair value through profit or loss		696	810
Unsecured notes		209,181	199,348
Interest-bearing bank and other borrowings		690,066	701,092
Deferred tax liabilities		652,788	685,443
		<u>1,628,118</u>	<u>1,642,782</u>
Total non-current liabilities			
		<u>1,628,118</u>	<u>1,642,782</u>
<b>NET ASSETS</b>			
		<u>4,039,091</u>	<u>3,950,349</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		12,316	12,316
Reserves		2,616,045	2,553,009
		<u>2,628,361</u>	<u>2,565,325</u>
Non-controlling interests		1,410,730	1,385,024
		<u>1,410,730</u>	<u>1,385,024</u>
<b>TOTAL EQUITY</b>			
		<u>4,039,091</u>	<u>3,950,349</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021

## 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 Company and its subsidiaries (collectively referred to as the “**Group**”) are described in note 4 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 2021 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 2021.

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 POLICIES 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) for the first time for the current period's financial information.

Amendments to HKFRS 9,  
HKAS 39, HKFRS 7, HKFRS 4  
and HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendment to HKFRS 16

*COVID-19-Related Rent Concessions beyond  
30 June 2021*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and the London Interbank Offered Rate (“**LIBOR**”) as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

The Group has applied the practical expedient during the period ended 30 September 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$1,863,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 September 2021.

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

### 3. ADJUSTMENTS ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING

On 26 September 2019, the Group proposed a general offer to acquire a maximum of 54.83% equity interest in China Agri-Products Exchange Limited (“**CAP**”) and a maximum of 46.86% of the outstanding principal amount of the convertible notes issued by CAP (the “**CAP Acquisition**”). On 12 February 2020 (the “**Acquisition Date**”), the CAP Acquisition was completed and 5,312,395,685 shares of CAP (representing 53.37% of the issued shares of CAP) were acquired at HK\$0.091 each and CAP and its subsidiaries (collectively, the “**CAP Group**”) became the subsidiaries of the Group.

The purchase price allocation of the CAP Acquisition and the resulting gain on bargain purchase were determined on a provisional basis for the year ended 31 March 2020. During the year ended 31 March 2021, the Group has finalised the fair value assessment of the identifiable assets and liabilities of the CAP Group (the “**Finalised Assessment**”) as of the Acquisition Date.

On 18 January 2021, the Court of First Instance in the High Court of Hong Kong (“**CFI**”) handed down a judgement in respect of the acquisition of 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, pursuant to which CAP is not required to make any payment under the promissory notes to Ms. Wang or Tian Jiu. The trials in the CFI were completed before the Acquisition Date, and the judgement was handed down within one year from the Acquisition Date, which is within the measurement period. As such, on completion of the fair value assessment, retrospective adjustments were made to the provisional amounts related to identifiable liabilities of the CAP Group recognised as of the Acquisition Date.

Consequently, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity for the six months ended 30 September 2020, and certain explanatory notes have been restated to reflect these restatements.

The effects of the adjustments arising from the Finalised Assessment described above on profit or loss for the period ended 30 September 2020 by line items were as follows:

**Impact on loss and total comprehensive loss for the prior period:**

	Six months ended 30 September 2020 (Unaudited) <i>HK\$'000</i>
Adjustments arising from the Finalised Assessment:	
Decrease in finance costs	11,750
	<hr/>
Decrease in loss and total comprehensive loss for the period	11,750
	<hr/> <hr/>
Net decrease in loss and total comprehensive loss attributable to:	
Owners of the parent	6,271
Non-controlling interests	5,479
	<hr/>
	11,750
	<hr/> <hr/>

**Impact on basic and diluted loss per share for the prior period:**

	Six months ended 30 September 2020 (Unaudited) <i>HK cents</i>
Basic and diluted loss per share, as originally reported	(18.93)
Adjustment arising from the Finalised Assessment	0.51
	<hr/>
Basic and diluted loss per share, as restated	(18.42)
	<hr/> <hr/>

#### 4. 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 and industrial 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
												(Restated)
<b>Segment revenue:</b>												
Sale to external customers	239,902	211,357	18,255	17,134	4,343	3,879	393,582	277,172	—	—	656,082	509,542
Intersegment sales	40	867	—	—	6,683	6,197	—	—	(6,723)	(7,064)	—	—
Total	<u>239,942</u>	<u>212,224</u>	<u>18,255</u>	<u>17,134</u>	<u>11,026</u>	<u>10,076</u>	<u>393,582</u>	<u>277,172</u>	<u>(6,723)</u>	<u>(7,064)</u>	<u>656,082</u>	<u>509,542</u>
<b>Segment results</b>	<u>(9,566)</u>	<u>5,672</u>	<u>(15,288)</u>	<u>(21,352)</u>	<u>41,502</u>	<u>(5,987)</u>	<u>63,857</u>	<u>47,970</u>			<u>80,505</u>	<u>26,303</u>
Other income and gains, net											41,736	55,489
Unallocated income and expenses, net											(14,928)	(21,290)
Impairment losses on investment in an associate											—	(208,953)
Finance costs											(47,882)	(57,315)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net											(5,201)	178
Share of profits and losses of associates, net											59	4,656
Profit/(loss) before tax											54,289	(200,932)
Income tax expense											(18,969)	(34,407)
Profit/(loss) for the period											<u>35,320</u>	<u>(235,339)</u>

## 5. REVENUE AND OTHER INCOME AND GAINS, NET

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Revenue from contracts with customers</b>	<b>549,012</b>	436,341
<b>Revenue from other sources</b>		
Gross rental income from investment properties operating leases	<u><b>107,070</b></u>	<u>73,201</u>
	<u><b>656,082</b></u>	<u><b>509,542</b></u>

## Revenue from contracts with customers

### Disaggregated revenue information

For the six months ended 30 September 2021

#### 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
<b>Type of goods or services</b>				
Sale of goods	237,083	18,255	631	255,969
Management and promotion services	2,819	—	—	2,819
Sale of properties	—	—	190,600	190,600
Commission income from agricultural produce exchange markets	—	—	49,253	49,253
Agricultural produce exchange markets ancillary services	—	—	50,371	50,371
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</u>
<b>Geographical markets</b>				
Hong Kong	193,305	9,645	—	202,950
Mainland China	28,551	6,346	290,855	325,752
Macau	16,012	1,831	—	17,843
Others	2,034	433	—	2,467
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</u>
<b>Timing of revenue recognition</b>				
Goods or services transferred at a point in time	237,083	18,255	240,484	495,822
Services transferred over time	2,819	—	50,371	53,190
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</u>

\* Gross rental income from investment properties operating leases of HK\$102,727,000 (six months ended 30 September 2020: HK\$69,322,000) was included in management and sale of properties in agricultural produce exchange markets segment.

## 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>
<b>Type of goods or services</b>				
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	—	—	21,070	21,070
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>
<b>Geographical markets</b>				
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	1,880	188	—	2,068
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>
<b>Timing of revenue recognition</b>				
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>

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 2021**

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>
<b>Revenue from contracts with customers</b>				
External customers	239,902	18,255	290,855*	549,012
Intersegment sales	40	—	—	40
Segment revenue	239,942	18,255	290,855*	549,052
Intersegment adjustments and eliminations	(40)	—	—	(40)
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</u>

**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>
<b>Revenue from contracts with customers</b>				
External customers	211,357	17,134	207,850*	436,341
Intersegment sales	867	—	—	867
Segment revenue	212,224	17,134	207,850*	437,208
Intersegment adjustments and eliminations	(867)	—	—	(867)
Total revenue from contracts with customers	<u>211,357</u>	<u>17,134</u>	<u>207,850*</u>	<u>436,341</u>

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other income</b>		
Interest income on loan receivables	<b>2,199</b>	1,902
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	<b>6,509</b>	7,953
Interest income on bank deposits	<b>1,816</b>	2,092
Finance income on net investments in subleases	<b>261</b>	370
Dividends from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	<b>6,150</b>	2,258
Rental income from other properties	<b>21,315</b>	19,268
Government subsidies**	<b>799</b>	8,941
Others	<b>1,823</b>	1,186
	<b>40,872</b>	43,970
<b>Gains, net</b>		
Gain on termination of lease contracts	<b>52</b>	11,292
Exchange gains, net	<b>812</b>	227
	<b>864</b>	11,519
Other income and gains, net	<b>41,736</b>	55,489

\*\* During the six months ended 30 September 2021, government subsidies represented The People's Republic of China (the "PRC") government subsidies of HK\$799,000 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.

During the six months ended 30 September 2020, government subsidies represented (i) the PRC government subsidies of HK\$5,701,000; (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 the six months ended 30 September 2021 and 2020 and recognised these grants in profit or loss as "Other income and gains, net" in the respective accounting period.

## 6. PROFIT/(LOSS) BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories recognised as an expense	<b>154,837</b>	155,048
Cost of properties sold	<b>161,217</b>	97,432
Cost of services provided	<b>64,815</b>	84,478
Depreciation of owned assets	<b>30,338</b>	26,598
Depreciation of right-of-use assets	<b>22,578</b>	15,289
Foreign exchange differences, net	<b>(812)</b>	(227)
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Trade receivables	<b>(514)</b>	(2,047)
Financial assets included in prepayments, deposits and other receivables	<b>(142)</b>	(78)
Debt investments at fair value through other comprehensive income	<b>6,729</b>	200
Loans and interest receivables	<b>(1,281)</b>	(96)
	<b>4,792</b>	(2,021)
Gross rental income	<b>(128,385)</b>	(92,469)
Less: direct outgoing expenses	<b>129</b>	361
	<b>(128,256)</b>	(92,108)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss on disposal/redemption of financial assets at fair value through other comprehensive income, net*	<b>1,242</b>	798
Write down of properties held for sale to net realisable value*	—	1,690
Impairment losses on investment in an associate (note (a))*	—	208,953
Reversal of impairment losses on property, plant and equipment*	<b>(8,018)</b>	—
Fair value losses on sub-leased investment properties**	<b><u>1,324</u></b>	<b><u>2,104</u></b>

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

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

*Notes:*

- (a) 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 Financial Group Limited (“**Easy One**”), a then associate of the Group, 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 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, net” in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020.

- (b) During the six months ended 30 September 2020, wage subsidies of HK\$13,459,000 granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong for the use of paying wages of employees from June to August 2020 had been received. The amount was recognised in profit or loss and had been offset with the employee benefit expenses.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Interest on bank and other borrowings	<b>26,450</b>	29,105
Interest on lease liabilities	<b>2,505</b>	3,375
Interest on unsecured notes	<b>11,279</b>	10,331
Interest on convertible notes	<b>7,648</b>	14,504
	<u><b>47,882</b></u>	<u>57,315</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current — Hong Kong	<b>531</b>	1,234
Current — other jurisdiction	<b>61,453</b>	33,360
Deferred tax credit	<b>(43,015)</b>	(187)
	<u><b>18,969</b></u>	<u>34,407</u>
Total tax charge for the period	<u><b>18,969</b></u>	<u>34,407</u>

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

## 10. 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 2020: 1,231,642,888).

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2021 as the convertible notes issued by CAP outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2020 in respect of a dilution as the impact of share options outstanding had no dilutive effect and the convertible notes issued by CAP outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
<b>Profit/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	<b>14,109</b>	<b>(226,920)</b>

**Number of shares**  
**Six months ended**  
**30 September**  
**2021**                      **2020**  
**(Unaudited)**              **(Unaudited)**

**Shares**

Weighted average number of ordinary shares used  
in the basic and diluted earnings/(loss) per share  
calculation

**1,231,642,888**    **1,231,642,888**

**11. TRADE RECEIVABLES**

	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>95,722</b>	71,542
Less: Accumulated impairment	<b><u>(17,910)</u></b>	<u>(18,242)</u>
	<b><u>77,812</u></b>	<b><u>53,300</u></b>

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\$9,233,000 (31 March 2021: HK\$8,181,000) 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 loss allowance, is as follows:

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Within 1 month	<b>25,507</b>	25,272
1 to 3 months	<b>24,996</b>	8,186
3 to 6 months	<b>16,564</b>	10,167
Over 6 months	<b>10,745</b>	9,675
	<b><u>77,812</u></b>	<b><u>53,300</u></b>

## 12. LOANS AND INTEREST RECEIVABLES

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Loans receivables, secured	<b>43,389</b>	38,323
Loans receivables, unsecured	<b>11,991</b>	13,632
Interest receivables	<b>18,883</b>	23,183
	<b><u>74,263</u></b>	<b><u>75,138</u></b>
Less: Impairment allowance	<b>(44,432)</b>	(44,837)
	<b><u>29,831</u></b>	<b><u>30,301</u></b>

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Prepayments	<b>35,590</b>	30,418
Deposits paid for the acquisition of property, plant and equipment	<b>3,508</b>	3,040
Rental and other deposits	<b>112,530</b>	102,353
Other receivables	<b>106,361</b>	124,018
Right-of-return assets	<b>1,394</b>	1,393
Cost of obtaining contracts	<b>57,469</b>	66,781
	<hr/>	<hr/>
Total prepayments, deposits and other receivables	<b>316,852</b>	328,003
Less: Impairment allowance	<b>(107)</b>	(237)
	<hr/>	<hr/>
	<b>316,745</b>	327,766
Less: Deposits classified as non-current assets	<b>(14,307)</b>	(19,134)
	<hr/>	<hr/>
Portion classified as current assets	<b>302,438</b>	308,632
	<hr/> <hr/>	<hr/> <hr/>

### 14. ASSET CLASSIFIED AS HELD FOR SALE

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
<b>Asset classified as held for sale</b>		
Non-current asset classified as held for sale		
— Investment property ( <i>note</i> )	<b>28,400</b>	—
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

On 1 July 2021, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of a property classified as investment property at a consideration of HK\$28,400,000. The transaction was completed on 2 November 2021.

Further details of the disposal are set out in the Company's announcement dated 1 July 2021.

## 15. TRADE PAYABLES

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Trade payables	<b><u>91,270</u></b>	<b><u>72,204</u></b>

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

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Within 1 month	<b>27,711</b>	15,134
1 to 3 months	<b>16,662</b>	9,039
3 to 6 months	<b>5,442</b>	9,073
Over 6 months	<b><u>41,455</u></b>	<u>38,958</u>
	<b><u>91,270</u></b>	<b><u>72,204</u></b>

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.

## 16. OTHER PAYABLES AND ACCRUALS/CONTRACT LIABILITIES

	<b>30 September 2021 (Unaudited) HK\$'000</b>	31 March 2021 (Audited) HK\$'000
Receipts in advance	<b>190,719</b>	234,864
Rental and other deposits received	<b>100,883</b>	100,638
Contract liabilities	<b>451,444</b>	596,568
Refund liabilities	<b>1,939</b>	1,939
Other payables	<b>316,085</b>	332,906
Accruals	<b>80,761</b>	86,809
Lease liabilities	<b>131,282</b>	108,643
	<b>1,273,113</b>	1,462,367
Less: Portion classified as non-current liabilities	<b>(75,387)</b>	(56,089)
Portion classified as current liabilities	<b><u>1,197,726</u></b>	<b><u>1,406,278</u></b>
Represented by:		
Contract liabilities	<b>451,444</b>	596,568
Current portion of other payables and accruals	<b>746,282</b>	809,710
Portion classified as current liabilities	<b><u>1,197,726</u></b>	<b><u>1,406,278</u></b>

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30 September 2021 (the “**Period**”), the Group recorded an approximately 28.8% increase in revenue to approximately HK\$656.1 million (2020: approximately HK\$509.5 million). The strict anti-pandemic measures in the People’s Republic of China (the “**PRC**”), Hong Kong and Macau brought the COVID-19 under control. As a result, economic activities recovered gradually and the labour market continued to improve. Revenue from the production and sale of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products increased by approximately 13.5% to approximately HK\$239.9 million (2020: approximately HK\$211.4 million) and by approximately 6.5% to approximately HK\$18.3 million (2020: approximately HK\$17.1 million) respectively. Revenue of management and sale of properties in agricultural produce exchange markets in the PRC through China Agri-Products Exchange Limited (“**CAP**”, together with its subsidiaries, collectively the “**CAP Group**”) (stock code: 149) increased by approximately 42.0% to approximately HK\$393.6 million (2020: approximately HK\$277.2 million).

For the Period, the Group recorded a profit attributable to owners of the parent amounting to approximately HK\$14.1 million (2020: a loss of approximately HK\$226.9 million (restated)). Such profit was mainly attributable to the combined effect of (i) the absence of impairment of the Group’s investment in Easy One Financial Group Limited, a former associate of the Company of approximately HK\$209.0 million recorded for the six months ended 30 September 2020 and (ii) the increase in Group’s revenue to approximately HK\$656.1 million as compared with the revenue of the Group recorded for the six months ended 30 September 2020 of approximately HK\$509.5 million.

### BUSINESS REVIEW

The Hong Kong economy remained on track for recovery with real Gross Domestic Product (“**GDP**”) continuing to grow compared to last year alongside the improving global economic conditions and receding local epidemic. Yet, the economic recovery remained uneven, with sectors such as exports surpassing previous high records by a considerable margin while inbound tourism remaining frozen and retail market being comparatively sluggish. Looking ahead, aided by factors such as the prolonged period of absence of local COVID-19 cases, the increasing vaccination rate and the city’s employment rate improvement, the economy is gradually regaining traction to bring back the shopping spirit back to the city’s middle-class. The majority of Hong Kong’s consumers spending decisions remain prudent keeping in mind that the recent surge in the Delta variant cases around the world posed a threat to the global economy which potentially affects Hong Kong. The improving labour market, coupled with the boost from the Consumption Voucher Scheme (“**CVS**”), helped stimulate consumption sentiment and lend support to consumption-related sectors. Considering the robust real GDP outturn in the first half of the year and the support from the CVS, the real GDP growth forecast for 2021 as a whole is revised upwards.

The labour market improved further from the previous season along with the increasingly entrenched economic recovery. Total employment rate gradually improved. Looking ahead, the labour market conditions would go hand in hand with the pace of the economic recovery. The CVS is expected to continue to render support to consumption-related activities in the near term. Yet, the global pandemic development remains a key source of uncertainty over the economic and labour market outlook.

The Government continues to step up measures in pushing for a more widespread vaccination as well as discussions with the central government aiming to reopen the border so as to boost the overall economy, including the tourism and retail sectors.

Hong Kong has seen its first positive growth in February 2021 after 24 consecutive months of drop since 2019 and the trend is believed to stay as the market sentiment is stimulated by the growing overall vaccination rate and the gradually relaxing social distancing policy. The market longs for reopening the border which would potentially bring a leapfrog to the city's economy to revitalise tourism and create more jobs. The steady growth of the retail sectors were bolstered by the gradual resumption of economic activities in recent months as a result of the effective control of the COVID-19 and its Delta variant from spreading in the community.

### **Chinese Pharmaceutical and Health Food Products**

In the first half of 2021, the strict anti-pandemic measures in the PRC, Hong Kong and Macau brought the COVID-19 under control. As a result, economic activities recovered gradually and the labour market continued to improve. In addition to the launching of CVS in August 2021, revenue of Chinese pharmaceutical and health food products recorded a healthy growth when compared with the same period in 2020.

Wai Yuen Tong ran a CVS thematic campaign to offer as many as 20 different products with attractive price tags on multi-pack purchases aiming to capture the possible available expenses in the consumer market. Advertisements were also created to support sales of retail network. This year's Mid-Autumn Festival fell in September. Wai Yuen Tong's festive products were widely welcomed and ordered by large volumes, achieving remarkable sales. With the above-mentioned implementations in place, the revenue recorded a steady growth.

In order to strive with key market competitors in the PRC, Hong Kong and Macau, the Company keeps expanding its market share by opening retail outlets in domestic sector. Moreover, to extend our care for public health, we are expanding our fleet of professional Chinese medicine practitioner, for provision of Chinese medical clinics service at our retail outlets. The Group will further explore opportunities in expanding our retail sales network and 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.

### **Western Pharmaceutical and Health Food Products**

Despite the good respiratory hygiene and cleanliness awareness of people which has significant negative impact on cough syrup market for both retail and clinic channels, the Group still maintained a stable revenue from sale of two major product series, “Madame Pearl’s” and “Pearl’s”.

The “Madame Pearl’s” series targets to treat upper respiratory ailments. The “Pearl’s” series comprises Mosquitoes spray, patch and itch-relief products. Both product series faced severe competition during the COVID-19 pandemic. Despite a highly competitive market environment, Pearl’s MosquitOut still remains as one of the leading brands in this product category.

During the Period, the Group placed 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”.

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, local clinics and medical groups.

### **Property Investment**

At the end of the Period, the Group owned 14 properties in Hong Kong which are all retail properties or industrial building. A majority of these properties were used as the retail shops operated under self-operating and franchise modes. The Group also owned agricultural produce exchange markets in the PRC since its acquisition of CAP in February 2020. The net fair value gains on owned investment properties for the six months ended 30 September 2021 amounted to approximately HK\$34.0 million (2020: net fair value gains of approximately HK\$27.8 million).

On 1 July 2021, the Group entered into a provisional sale and purchase agreement with an independent third party to sell the retail shop at Shop No.D on Ground Floor of Block D, Wing Lung Building, Nos. 220-240 & 240A Castle Peak Road at a consideration of HK\$28.4 million, completion of which took place in November 2021. This property was classified as held for sale as at 30 September 2021.

## Management and Sale of Properties in Agricultural Produce Exchange Markets

CAP is principally engaged in the management and sale of properties in agricultural produce exchange markets in the PRC.

The CAP Group managed 11 agricultural produce exchange markets in the PRC, across five provinces. During the Period, CAP recorded revenue of approximately HK\$393.6 million (2020: approximately HK\$277.2 million) which included (i) approximately HK\$203.0 million (2020: approximately HK\$168.2 million) generated from operating of agricultural produce exchange markets, and (ii) approximately HK\$190.6 million (2020: approximately HK\$109.0 million) generated from sale of properties.

### *Hubei Province*

#### *Wuhan Baisazhou Market*

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) is one of the largest agricultural produce exchange market operators in the PRC. Wuhan Baisazhou Market 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 2021, it was awarded top 10 of agricultural produce exchange markets by the 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 is the major income generated from Wuhan Baisazhou Market.

#### *Huangshi Market*

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is one of the CAP Group’s joint venture projects in Hubei Province, the PRC. Huangshi Market occupies approximately 23,000 square metres. Huangshi city is a county level city in Hubei Province and is around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy with Wuhan Baisazhou Market to boost vegetables and by-products trading. During the Period, the performance of Huangshi Market had resumed to its full operation.

### *Suizhou Market*

In March 2018, the CAP Group formed a joint venture company with an independent third party in Suizhou city, Hubei Province, the PRC, to operate Suizhou Baisazhou Agricultural and By-Product Exchange Market (“**Suizhou Market**”), which is the third project of the CAP Group in Hubei Province. Suizhou Market occupies approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruits transactions. The CAP Group has pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province. The COVID-19 pandemic had moderately affected the performance of the market. During the Period, the operating performance of Suizhou Market was satisfactory.

### *Henan Province*

#### *Luoyang Market*

Luoyang Market is the flagship project of the CAP Group 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. During the Period, the COVID-19 pandemic slowed down the properties sale activities of Luoyang Market. As the outbreak of the COVID-19 pandemic was gradually brought under control, the operation of Luoyang Market had returned to normal. The market performance was satisfactory and contributed a positive cash flow to the CAP Group.

#### *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) was one of the CAP Group’s joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the Period, the operating performance of Puyang Market was satisfactory.

#### *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”), with a gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the CAP Group to build an agricultural produce market network in Henan Province, the PRC. The performance of Kaifeng Market had improved gradually.

## ***Guangxi Zhuang Autonomous Region***

### *Yulin Market*

Yulin Hongjin Agricultural and By-Product Exchange Market (“**Yulin Market**”) is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region (“**Guangxi 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. 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 Guangxi Region. Sale of properties is the major income generated from Yulin Market. The performance of Yulin Market was satisfactory during the Period.

### *Qinzhou Market*

Qinzhou Hongjin Agricultural and By-Product Exchange Market (“**Qinzhou Market**”), with a gross floor construction area of approximately 180,000 square metres, was the second point of market operations and facilitated the CAP Group to build an agricultural produce market network in the Guangxi Region. During the Period, the performance of Qinzhou Market was satisfactory.

## ***Jiangsu Province***

### *Xuzhou Market*

Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The market houses various market stalls, godowns and cold storage. Xuzhou Market is a major marketplace for the supply of fruits in the city and the northern part of Jiangsu Province, the PRC. The operating performance of Xuzhou Market was steady during the Period.

### *Huai’an Market*

Huai’an Hongjin Agricultural and By-Product Exchange Market (“**Huai’an Market**”) occupies approximately 100,000 square metres and is located in Huai’an City of Jiangsu Province, the PRC. Phase one of Huai’an Market has begun its operation since October 2015 and it is expected that the performance of Huai’an Market will gradually improve after the market becomes more mature.

## *Liaoning Province*

### *Panjin Market*

Panjin Hongjin Agricultural and By-Product Exchange Market (“**Panjin Market**”), with a construction area of around 50,000 square metres, is the first attempt of investment of the CAP Group in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs. It is expected that the performance of Panjin Market will remain steady.

### **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 2021, the Group’s investment in bonds amounted to approximately HK\$75.5 million and carried annual interest rates ranging from 5.98% to 11.75%. As at 30 September 2021, the fair value of financial assets at fair value through other comprehensive income was approximately HK\$233.9 million (31 March 2021: approximately HK\$282.8 million). During the Period, the Group has recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of approximately HK\$7.2 million (2020: net gain of approximately HK\$7.0 million).

### **Convertible Notes**

On 19 October 2016, CAP issued the 7.5% denominated convertible notes with the aggregate principal amount of HK\$500 million which was matured on 18 October 2021 (the “**Convertible Notes**”), which entitled the holders to convert into the ordinary shares of CAP (the “**Shares**”) at a conversion price of HK\$0.4 per share of CAP. On 9 December 2020, CAP partially redeemed the Convertible Notes in the principal amount of HK\$130 million. During the Period, no Convertible Notes were converted into shares of CAP by the holders of the Convertible Notes. As at 30 September 2021, the Convertible Notes with the outstanding principal amount of HK\$134.8 million was in issue. On 18 October 2021, CAP fully redeemed the remaining principal amount of HK\$134.8 million.

### **Unsecured Notes Due in 2024 (the “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 2021, the Unsecured Notes had an outstanding principal amount of HK\$290.0 million.

## FINANCIAL REVIEW

### Liquidity and Gearing and Financial Resources

As at 30 September 2021, the Group had total assets of approximately HK\$8,032.8 million (31 March 2021: approximately HK\$7,964.5 million) which were financed by current liabilities of approximately HK\$2,365.6 million (31 March 2021: approximately HK\$2,371.4 million), non-current liabilities of approximately HK\$1,628.1 million (31 March 2021: approximately HK\$1,642.8 million) and shareholders' equity of approximately HK\$4,039.1 million (31 March 2021: approximately HK\$3,950.3 million).

As at 30 September 2021, the Group's cash and cash equivalents were approximately HK\$516.1 million (31 March 2021: approximately HK\$507.2 million).

As at 30 September 2021, the Group's total interest-bearing debts amounted to approximately HK\$1,832.2 million (31 March 2021: approximately HK\$1,661.1 million), all of which bore interest at fixed and floating interest rates and were denominated in Hong Kong dollars, Renminbi (“RMB”) and United States dollars.

	At 30 September 2021		At 31 March 2021	
	<i>HK\$ million</i>	<i>Approximate effective interest rate</i>	<i>HK\$ million</i>	<i>Approximate effective interest rate</i>
Unsecured Notes	209	12%	199	12%
Convertible Notes	134	12%	132	12%
Financial institution borrowings	1,415	3%	1,255	4%
A subsidiary of Wang On Group Limited (“Wang On”)	74	10%	75	10%
Total	<u>1,832</u>		<u>1,661</u>	

As at 30 September 2021, the Unsecured Notes issued by CAP will mature in September 2024; the Convertible Notes of CAP were matured and fully repaid in October 2021; the financial institution borrowings of the Group will mature during the period from October 2021 to May 2029; and the loan from a subsidiary of Wang On will mature in September 2022.

The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.4 (31 March 2021: approximately 1.4). 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 approximately 50.1% (31 March 2021: approximately 45.0%). The Group always adopts a conservative approach in its financial management.

## Significant Investments Held

As at 30 September 2021, the Group had financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately HK\$233.9 million and approximately HK\$153.4 million respectively, details of which were set out as follows:

Name of Investments	As at 30 September 2021		For six months ended 30 September 2021			Fair value/carrying amount		
	Amount held HK\$'000	Percentage to Group's net assets	Fair value gain/ (loss) HK\$'000	Interest income HK\$'000	Dividends received HK\$'000	As at 30	As at 31	Investment costs HK\$'000
		%				September 2021 HK\$'000	March 2021 HK\$'000	
<b>Financial assets at fair value through other comprehensive income:</b>								
A. Equity investments								
Wang On	118,456	2.93	5,151	—	3,434	118,456	113,305	81,506
Others	39,909	0.99	7,410	—	20	39,909	33,552	55,601
B. Debt investments								
Fantasia Holdings Group Company Limited	40,549	1.00	(6,286)	1,480	—	40,549	8,004	46,509
Others	34,993	0.87	(13,449)	4,995	—	34,993	127,954	54,550
<b>Sub-total</b>	<b><u>233,907</u></b>	<b><u>5.79</u></b>	<b><u>(7,174)</u></b>	<b><u>6,475</u></b>	<b><u>3,454</u></b>	<b><u>233,907</u></b>	<b><u>282,815</u></b>	<b><u>238,166</u></b>
<b>Financial assets at fair value through profit or loss:</b>								
A. Rockpool Capital SPC ("Rockpool")	51,203	1.27	(5,190)	34	—	51,203	56,393	58,500
B. Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("BREIT")	59,488	1.47	1,130	—	—	59,488	—	58,358
C. Unlisted funds	33,775	0.84	(6,296)	—	2,696	33,775	42,279	38,797
D. Others	8,935	0.22	5,041	—	—	8,935	3,931	5,470
<b>Sub-total</b>	<b><u>153,401</u></b>	<b><u>3.80</u></b>	<b><u>(5,315)</u></b>	<b><u>34</u></b>	<b><u>2,696</u></b>	<b><u>153,401</u></b>	<b><u>102,603</u></b>	<b><u>161,125</u></b>
<b>Total</b>	<b><u>387,308</u></b>	<b><u>9.59</u></b>	<b><u>(12,489)</u></b>	<b><u>6,509</u></b>	<b><u>6,150</u></b>	<b><u>387,308</u></b>	<b><u>385,418</u></b>	<b><u>399,291</u></b>

The principal activities of the securities are as follows:

(a) Wang On

Wang On is principally engaged in (i) management and sublicensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through Wang On Properties Limited (stock code: 1243), its 75%-owned listed subsidiary; (iii) manufacturing and/or retailing of pharmaceutical and health food products through the Company, its 65.79%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of the Company.

(b) Fantasia Holdings Group Company Limited is a limited liability company incorporated in Cayman Islands and its shares are listed on the Main Board of the Stock Exchange (stock code: 1777). It is one of the leading property developers in the PRC and is principally engaged in (i) property development; (ii) lease of investment properties; (iii) provision of property operation services; (iv) provision of hotel accommodation services; and (v) property management and other related services.

(c) Rockpool and BREIT

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

(d) 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 2021.

(e) 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 2021.

## **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 2021, the fair value of the Group's investment in bonds and equity securities amounted to approximately HK\$75.5 million (31 March 2021: approximately HK\$136.0 million) and approximately HK\$158.4 million (31 March 2021: approximately HK\$146.9 million), respectively.

The Group recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of approximately HK\$7.2 million in the other comprehensive income for the Period (2020: net gain of approximately HK\$7.0 million).

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

As at 30 September 2021, 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 approximately HK\$5.3 million for the Period (2020: net gain of approximately HK\$0.4 million).

**Foreign Exchange**

The Board is of the opinion that the Group has material foreign exchange exposure in RMB. A majority of 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 Hong Kong dollars using the exchange rate as of the reporting date resulted in a re-translation gain of approximately HK\$61.6 million (2020: gain of approximately HK\$111.0 million). The re-translation gain was recognised in other comprehensive income/exchange reserve.

**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.

## **Capital Commitment**

As at 30 September 2021, the Group had capital commitment of approximately HK\$268.1 million (31 March 2021: approximately HK\$242.6 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.

## **Pledge of Assets**

As at 30 September 2021, 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, financial assets at fair value through profit or loss, pledged deposits, with a total carrying value of approximately HK\$2,692.7 million (31 March 2021: approximately HK\$2,435.3 million).

## **Financial Guarantee**

As at 30 September 2021, the Group provided guarantees of approximately HK\$50.7 million to customers in favour of certain banks for the loans provided by the banks to the customers of the properties sold (31 March 2021: approximately HK\$56.8 million). Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds.

## **Material disposal of equity interest of a subsidiary**

On 18 June 2021, Century Choice Limited (“**Century Choice**”), a wholly-owned subsidiary of CAP and a substantial shareholder (the “**PRC Shareholder**”) of Yulin Hongjin Agricultural By-products Wholesale Marketplace Limited (“**Yulin Hongjin**”) entered into an agreement in relation to the reduction of registered capital contribution of Century Choice in Yulin Hongjin. Pursuant to the agreement, the PRC Shareholder waived its entitlement to 35% of the dividend declared by Yulin Hongjin for the year ended 31 December 2020, being approximately RMB40.95 million and directed the same to be paid to Century Choice, and the amount of registered capital contribution by Century Choice in Yulin Hongjin was reduced by an amount equal to approximately RMB41.9 million, which was paid to Century Choice in cash. As a result of such reduction of registered capital contribution, the CAP Group's equity interest in Yulin Hongjin decreased from 65% to 51%. Details of the capital reduction were disclosed in the joint announcement of Wang On, CAP and the Company dated 18 June 2021.

## 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:**

In May 2015, Ms. Wang and Tian Jiu commenced proceedings against the PRC Ministry of Commerce (“**MOFCOM**”) in the Beijing Second Intermediate People’s Court, seeking, *inter alia*, a direction that MOFCOM revoke its approval in respect of the Baisazhou Acquisition.

It was alleged by Ms. Wang and Tian Jiu that:

- (a) 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) Baisazhou Agricultural forged the related documentation for filing with 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) 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 December 2015, the Beijing Second Intermediate People’s Court directed MOFCOM to reconsider its approval decision. In May 2016, MOFCOM decided that its approval issued in relation to the Contended Agreements shall not be revoked and shall remain to be in force (the “**Reconsidered Decision**”).

In August 2016, Ms. Wang and Tian Jiu commenced administrative proceedings against MOFCOM in the Beijing Second Intermediate People’s Court seeking to set aside the Reconsidered Decision. In March 2017, the Beijing Second Intermediate People’s Court dismissed the application of Ms. Wang and Tian Jiu (the “**31 March Judgment**”). On 20 December 2018, the Beijing Higher People’s Court upheld the 31 March Judgment (the “**20 December Judgment**”). Ms. Wang and Tian Jiu applied to the Supreme People’s Court for a retrial and for dismissal of (i) the 31 March Judgment, and (ii) the 20 December Judgment, but this application was dismissed by the Supreme People’s Court on 29 December 2020.

As advised by the CAP Group’s PRC legal advisor, 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.

In May 2015, the CAP Group commenced legal proceedings against Ms. Wang and Tian Jiu in the Higher People’s Court of Hubei Province (the “**Hubei Court**”) seeking, *inter alia*, declarations and orders that the sales and purchase agreements for the Baisazhou Acquisition (the “**SPA**”) have been legally made, and that Ms. Wang and Tian Jiu shall assist Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM (which were subsequently withdrawn in April 2019 in light of the decisions in respect of the MOFCOM approvals). Ms. Wang and Tian Jiu filed their counterclaim for, *inter alia*, the return of the CAP Group’s 90% interest in Baisazhou Agricultural, which was dismissed by the Hubei Court in December 2019 (the “**23 December Judgment**”).

In January 2020, Ms. Wang and Tian Jiu appealed against the 23 December Judgment. On 29 March 2021, the CAP Group received the judgment of the Supreme Court dated 29 December 2020 (the “**29 December Judgment**”) which upheld the 23 December Judgment and dismissed the appeal of Ms. Wang and Tian Jiu. As advised by the PRC legal advisors of the CAP Group, according to the 23 December Judgment and the 29 December Judgment, the CAP Group continues to be the legal and beneficial owner of Baisazhou Agricultural.

### **In Hong Kong, CAP as plaintiff against Ms. Wang and Tian Jiu as defendants:**

In 2011, CAP issued a Writ of Summons in the Court of First Instance in the High Court of Hong Kong (the “**CFI**”) 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 SPA. Ms. Wang and Tian Jiu counterclaimed for, amongst others, an order that CAP shall cause and/or procure the shares in Baisazhou Agricultural to be transferred back to Ms. Wang and Tian Jiu.

In 2012, CAP obtained a court order from the CFI to the 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 in relation to the SPA by presentation of the Instruments until the final determination of these proceedings or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by CAP on 5 December 2012.

The CFI handed down its judgment on 18 January 2021 awarding damages in favour of CAP for sums exceeding the sum owed under the Instruments. The CFI also ordered that the damages awarded to CAP be set-off by the sum owed under the Instruments, and that Ms. Wang and Tian Jiu not be allowed to enforce the Instruments against CAP. In effect, CAP is not required to make any payment under the Instruments to Ms. Wang or Tian Jiu. CAP is seeking legal advice for the recovery of the balance of the damages awarded to it. Further, as the counterclaim of Ms. Wang and Tian Jiu was dismissed, CAP continues to be the legal and beneficial owner of Baisazhou Agricultural.

Further details regarding the civil proceedings which the CAP Group has been involved in can be found in the interim/annual reports and announcements issued by CAP.

## **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 2021, the Group had 1,825 (31 March 2021: 1,822) employees, of whom approximately 33.2% (31 March 2021: approximately 31.8%) 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 may also be granted to selected staff by reference to the Group’s performance, where appropriate, 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 and pays retirement contributions in accordance with the statutory requirements for our PRC staff. 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 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 longterm relationship with its suppliers.

## **PROSPECTS**

2021 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 downturn with the consumption and tourism being two of the hardest hit sectors. The deterioration of labour market conditions also dented consumer sentiment further. Overall investment expenditure continued to tumble amid negative business environment. Yet, as the local epidemic situation was largely under control, the overall economic situation showed signs of stabilisation during the second half of the Period.

### **Chinese and Western Pharmaceutical and Health Food Products**

Looking forward, the Group will expand its market share by opening retail outlets, either self-operated or by franchise, in the PRC, Hong Kong and Macau. The national policy for Guangdong-Hong Kong-Macau Greater Bay Area, as a key development area, provides a bright prospect for the development of business of Chinese pharmaceutical and health food products. Hong Kong's traditional Chinese medicine practice will evolve seeing the first Chinese Medicine Hospital commence service as of 2025. Furthermore, the Group enjoyed a satisfactory online sales growth in 2020–2021. The business trend is seen on track, the Group will strengthen new product development process and new sales platform particularly in the online area.

Regarding our Western pharmaceutical and health food products business, we expect a favourable growth resulted in the sale of cough syrup to the institutional clients, local clinics and medical groups in Hong Kong and through distributors to be sold to the PRC. We will diversify the business by grasping opportunity of launching more health supplements so as to further satisfy consumer unmet needs. We also strengthen on cross-border e-commerce to capture consumers in the Guangdong-Hong Kong-Macau Greater Bay Area and Asia Pacific Region.

## **Management and Sale of Properties in Agricultural Produce Exchange Markets**

During the Period, the tension between the PRC and the United States remained and has slowed down the economic growth. However, such friction has little impact on the CAP Group's operation which is mainly focused on domestic market. Looking ahead, the CAP Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services.

Since the outbreak of the COVID-19, all of our agricultural produce exchange markets have upgraded the facilities and fixtures to keep up with the stringent health and hygiene measures imposed by the local governments. On one side, this increased our operation cost; on the other side, this raised our competitive edges against many local and less-sophisticated competitors. The reduction of COVID-19 transmission during the Period helped CAP not only restore to normal operating level, but better suit the after-pandemic market environment.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2021, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2021". The document vows to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agriculture products and improve regional cold storage infrastructure. On the other hand, it is expected that the "Belt and Road Initiative" policy will drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

In order to capture new business opportunities, the CAP Group has taken further steps to expand its operations in the PRC by cooperating with different partners with "asset light" strategy. Taking the advantage of its leading position in the industry, the CAP Group is confident that this strategy and business model will deliver long-term benefits to CAP and its shareholders as a whole.

## **OTHER SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed above, during the Period, the Group did not have any other significant investments held, material acquisitions and disposals of subsidiaries and future plans for material investments or capital assets.

## **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 listed securities of the Company during the six months ended 30 September 2021.

## **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 Listing Rules throughout the Period, except for the following deviation:

### **Code provision A.2.1**

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. Mr. Tang Ching Ho ("**Mr. Tang**"), the chairman of the Board, has been assuming the role of managing Director since April 2018, which arrangement deviated 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 various business units in the daily business operation and the Board comprises three 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its code of conduct regarding securities transactions by the Directors on the terms no less exacting 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 Directors confirmed that they 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 specific terms of reference (as amended from time to time) 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 Company’s management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021. 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 is 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](http://www.hkexnews.hk)) and the Company at ([www.wyth.net](http://www.wyth.net)). The 2021 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, 23 November 2021

*As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Ms. Tang Wai Man and Ms. Law Man Yee, Anita 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*