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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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

ANNUAL FINANCIAL HIGHLIGHTS

HK$' million	**FY2022**	FY2021	**YoY change**
Revenue	**1,391.4**	1,108.6	**25.5%**
Gross profit	**570.4**	445.3	**28.1%**
Loss attributable to owners of the parent	**(108.9)**	(376.0)	**71.0%**
Loss per share *(HK cents)*			
— Basic and diluted	**(8.84)**	(30.53)	**21.69**
	As at 31 March 2022	As at 31 March 2021	
Net assets value	**3,960.6**	3,950.3	**0.3%**
Cash and cash equivalents	**510.1**	507.2	**0.6%**
Gearing ratio	**45.3%**	45.0%	**0.3%**

* *For identification purpose only*

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2022, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	*4*	**1,391,411**	1,108,565
Cost of sales		**(821,021)**	(663,283)
Gross profit		**570,390**	445,282
Other income and gains, net	*4*	**144,869**	120,629
Selling and distribution expenses		**(246,127)**	(167,442)
Administrative expenses		**(253,068)**	(261,822)
Impairment losses on financial assets, net		**(12,875)**	(40,627)
Other expenses	*5*	**(41,424)**	(264,300)
Write-down of properties held for sale		**—**	(6,326)
Finance costs	*7*	**(95,695)**	(107,724)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net		**(31,693)**	6,601
Fair value losses on owned investment properties, net		**(83,253)**	(32,056)
Share of profits and losses of associates		**1,572**	4,654
LOSS BEFORE TAX	*6*	**(47,304)**	(303,131)
Income tax expense	*8*	**(40,519)**	(148,132)
LOSS FOR THE YEAR		**(87,823)**	(451,263)

	Notes	**2022** *HK$'000*	2021 *HK$'000*
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**(57,083)**	11,981
Reclassification adjustments for losses included in profit or loss:			
— Impairment losses, net	*6*	**4,913**	382
— Loss on disposal/redemption, net	*5*	**40,865**	476
		(11,305)	12,839
Share of other comprehensive income of associates		**—**	9,978
Translation reserve:			
Translation of foreign operations		**132,557**	286,512
Release of translation reserve upon disposal of investment in an associate		**—**	29,850
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**121,252**	339,179
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Fair value adjustment upon transfer from owner-occupied property to investment property, net of tax		**—**	76,103
Share of other comprehensive loss of an associate		**—**	(869)
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**1,322**	30,305
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**1,322**	105,539

	Note	2022 HK$'000	2021 HK$'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**122,574**	444,718
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**34,751**	(6,545)
Profit/(loss) attributable to:			
Owners of the parent		**(108,912)**	(375,995)
Non-controlling interests		**21,089**	(75,268)
		(87,823)	(451,263)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(34,610)**	(77,461)
Non-controlling interests		**69,361**	70,916
		34,751	(6,545)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**HK(8.84) cents**	HK(30.53) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**956,400**	961,775
Investment properties		**3,562,503**	3,507,623
Net investments in subleases		**9,093**	4,496
Investments in associates		**3,804**	2,832
Financial assets at fair value through other comprehensive income		**147,126**	234,871
Loans and interest receivables		**13,340**	—
Financial assets at fair value through profit or loss		**135**	—
Prepayments and deposits		**16,558**	19,134
Deferred tax assets		**48**	48
Total non-current assets		**4,709,007**	4,730,779
CURRENT ASSETS			
Properties under development		**189,944**	68,528
Properties held for sale		**1,490,847**	1,886,497
Inventories		**188,179**	162,670
Trade receivables	11	**63,346**	53,300
Loans and interest receivables		**17,528**	30,301
Prepayments, deposits and other receivables		**244,004**	308,632
Net investments in subleases		**5,592**	8,852
Financial assets at fair value through other comprehensive income		**19,839**	47,944
Financial assets at fair value through profit or loss		**109,605**	102,603
Tax recoverable		**11,115**	34,884
Pledged deposits		**31,250**	—
Restricted bank balances		**7,311**	22,302
Cash and cash equivalents		**510,146**	507,234
Total current assets		**2,888,706**	3,233,747

	Note	2022 HK$'000	2021 HK$'000
CURRENT LIABILITIES			
Trade payables	*12*	**86,357**	72,204
Other payables and accruals		**769,384**	809,710
Contract liabilities		**242,967**	596,568
Financial liabilities at fair value through profit or loss		**—**	37
Interest-bearing bank and other borrowings		**640,262**	628,736
Convertible notes		**—**	131,901
Tax payable		**142,344**	132,239
Total current liabilities		**1,881,314**	2,371,395
NET CURRENT ASSETS		**1,007,392**	862,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,716,399**	5,593,131
NON-CURRENT LIABILITIES			
Other payables		**72,589**	56,089
Financial liabilities at fair value through profit or loss		**—**	810
Unsecured notes		**219,497**	199,348
Interest-bearing bank and other borrowings		**821,403**	701,092
Deferred tax liabilities		**642,299**	685,443
Total non-current liabilities		**1,755,788**	1,642,782
Net assets		**3,960,611**	3,950,349
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**12,316**	12,316
Reserves		**2,503,482**	2,553,009
		2,515,798	2,565,325
Non-controlling interests		**1,444,813**	1,385,024
Total equity		**3,960,611**	3,950,349

NOTES TO FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It 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. 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 Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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 the 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 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 Renminbi ("**RMB**") based on the Hong Kong Interbank Offered Rate ("**HIBOR**") and the RMB base lending rate, respectively, as at 31 March 2022. The Group also had interest rate swaps whereby the Group pays interest at fixed rates and receives interest at variable rates based on HIBOR on the notional amounts. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings and interest rate swaps.

(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 adopted the amendment on 1 April 2021 and applied the practical expedient during the year ended 31 March 2022 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$3,860,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2022. There was no impact on the opening balance of equity as at 1 April 2021.

3. OPERATING SEGMENT INFORMATION

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

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

(b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”, respectively;

(c) property investment — investment in commercial 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that other income and gains, net, finance costs, fair value gains/losses on financial assets and liabilities at fair value through profit or loss, net, head office and corporate income and expenses, loss on disposal of investment in an associate, loss on disposal/redemption of debt investments at fair value through other comprehensive income, net and loss on disposal of financial assets at fair value through profit or loss are excluded from such measurement.

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

Segment revenue and results

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Management and sale of properties in agricultural produce exchange markets		Eliminations		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**512,568**	453,380	**41,273**	25,669	**7,101**	8,704	**830,469**	620,812	**–**	–	**1,391,411**	1,108,565
Intersegment sales	**41**	1,206	**1,818**	–	**13,083**	12,388	**–**	–	**(14,942)**	(13,594)	**–**	–
Total	**512,609**	454,586	**43,091**	25,669	**20,184**	21,092	**830,469**	620,812	**(14,942)**	(13,594)	**1,391,411**	1,108,565
Segment results	**(19,448)**	(860)	**(18,997)**	(42,391)	**(30,952)**	(25,649)	**75,559**	33,551	**–**	–	**6,162**	(35,349)
Other income and gains, net											**144,869**	120,629
Unallocated income and expense, net											**(29,483)**	(49,072)
Finance costs											**(95,695)**	(107,724)
Fair value gains/(losses) on financial assets and liabilities at fair value through profit or loss, net											**(31,693)**	6,601
Loss on disposal of investment in an associate											**–**	(237,740)
Loss on disposal/redemption of debt investments at fair value through other comprehensive income, net											**(40,865)**	(476)
Loss on disposal of financial assets at fair value through profit or loss											**(599)**	–
Loss before tax											**(47,304)**	(303,131)
Income tax expense											**(40,519)**	(148,132)
Loss for the year											**(87,823)**	(451,263)

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue and other income and gains, net is as follows:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers	**1,180,132**	935,858
Revenue from other sources		
Gross rental income from investment property operating leases	**211,279**	172,707
	1,391,411	1,108,565

	2022	2021
	HK$'000	*HK$'000*
Other income		
Interest income on loan receivables	**4,486**	3,798
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	**6,842**	16,284
Interest income on bank deposits	**4,048**	4,489
Finance income on net investments in subleases	**555**	705
Dividends from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	**9,414**	4,383
Rental income from other properties	**44,608**	37,188
Government subsidies*	**2,166**	26,673
Compensation from litigation judgement	**48,572**	—
Others	**8,544**	11,299
	129,235	104,819
Gains, net		
Gain on modification/termination of lease contracts	**491**	13,737
Gain on disposal of investment properties, net	**8,169**	—
Exchange gains, net	**6,974**	2,073
	15,634	15,810
Other income and gains, net	**144,869**	120,629

* For the year ended 31 March 2022, government subsidies represented The People's Republic of China (the "**PRC**") government subsidies of HK$2,166,000 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 ("**Agricultural Produce Subsidies**").

For the year ended 31 March 2021, government subsidies represented: (i) Agricultural Produce Subsidies of HK$23,433,000; (ii) one-off subsidies of HK$3,080,000 granted by the 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 by The Government of the Macao Special Administrative Region's 10-Billion-Pataca Fund.

The Group has complied with all attached conditions before 31 March 2022 and 2021 and recognised these grants in profit or loss as "Other income and gains, net" in the respective accounting periods.

5. OTHER EXPENSES

An analysis of other expenses is as follows:

	Note	**2022** *HK$'000*	2021 *HK$'000*
Loss on disposal of items of property, plant and equipment		**6,355**	237
Loss on redemption of convertible notes		**—**	3,933
Loss on disposal/redemption of debt investments at fair value through other comprehensive income, net		**40,865**	476
Loss on disposal of financial assets at fair value through profit or loss		**599**	—
Loss on disposal of investment in an associate	*(a)*	**—**	237,740
Impairment losses/(reversal of impairment losses) on property, plant and equipment, net		**(6,395)**	21,914
		41,424	264,300

Note:

(a) On 4 May 2020, Caister Limited ("**Caister**"), which is wholly and beneficially owned by the Chairman of the Company, Mr. Tang Ching Ho, requested the board of Easy One Financial Group Limited ("**Easy One**", the 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 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. Loss on disposal of investment in an associate of HK$237,740,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The Proposal became effective on 16 October 2020. Further details of the Proposal are set out in the Company's circular dated 24 July 2020.

6. LOSS BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,970,000 (2021: HK$4,747,000))	**329,948**	338,909
Cost of properties sold	**352,932**	224,745
Cost of services provided	**138,141**	99,629
Research and development costs	**1,302**	4,972
Lease payments not included in the measurement of lease liabilities	**12,398**	13,044
COVID-19-related rent concessions from lessors	**(3,860)**	(6,888)
Auditor's remuneration	**5,580**	5,600
Depreciation of owned assets	**61,000**	58,999
Depreciation of right-of-use assets	**46,797**	33,624
	107,797	92,623
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits*	**204,769**	204,044
Equity-settled share option expense	**1,139**	—
Pension scheme contributions**	**8,981**	6,890
	214,889	210,934
Foreign exchange differences, net	**(6,974)**	(2,073)

	2022	2021
	HK$'000	*HK$'000*
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Trade receivables	**5,381**	(1,160)
Financial assets included in prepayments, deposits and other receivables	**31**	(646)
Debt investments at fair value through other comprehensive income	**4,913**	382
Loans and interest receivables	**2,550**	42,051
	12,875	40,627
Gross rental income	**(255,887)**	(209,895)
Less: Direct outgoing expense	**87**	656
	(255,800)	(209,239)
Net fair value losses on sub-leased investment properties***	**3,764**	2,976

* Wage subsidies of HK$26,986,000 granted by the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees from June to November 2020 had been received during the year ended 31 March 2021. The amount was recognised in profit or loss and had been offset with the employee benefit expenses.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** The expense is included in "Cost of services provided" above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**59,372**	53,631
Interest on lease liabilities	**4,838**	6,303
Interest on unsecured notes	**23,049**	21,529
Interest on convertible notes	**8,436**	26,261
	95,695	107,724

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates. The provision for PRC land appreciation tax ("**LAT**") is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	2022	2021
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**2,155**	1,707
Current — other jurisdiction		
Charge for the year	**96,235**	126,902
LAT	**28,863**	8,819
Overprovision in prior years	**(15,686)**	(234)
Deferred taxation	**(71,048)**	10,938
Total tax charge for the year	**40,519**	148,132

9. DIVIDENDS

The board of directors does not recommend the payment of any dividends in respect of the year ended 31 March 2022 (2021: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the year ended 31 March 2022 is based on the loss for the year attributable to owners of the parent of HK$108,912,000 (2021: HK$375,995,000), and the weighted average number of ordinary shares in issue during the year of 1,231,642,888 (2021: 1,231,642,888).

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2022 in respect of a dilution as the impact of the share options issued by China Agri-Products Exchange Limited ("**CAP**"), a subsidiary of the Group, and the convertible notes issued by CAP outstanding either had no dilutive effect or an anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2021 in respect of a dilution as the impact of the share options of the Company and the convertible notes issued by CAP outstanding either had no dilutive effect or an anti-dilutive effect on the basic loss per share amount presented.

11. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**79,515**	71,542
Less: Accumulated impairment	**(16,169)**	(18,242)
	63,346	53,300

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$6,828,000 (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 the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**36,209**	25,272
1 to 3 months	**7,172**	8,186
3 to 6 months	**8,267**	10,167
Over 6 months	**11,698**	9,675
	63,346	53,300

12. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**86,357**	72,204

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**22,339**	15,134
1 to 3 months	**9,753**	9,039
3 to 6 months	**9,328**	9,073
Over 6 months	**44,937**	38,958
	86,357	72,204

The trade payables are non-interest-bearing and have an average term of 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS

For the financial year ended 31 March 2022 (the "**Year**"), total revenue of the Group increased by approximately 25.5% to approximately HK$1,391.4 million, which was mainly attributable to the increase in sales performance of the Group's business segments in (a) production and sale of Chinese and Western pharmaceutical and health food products; and (b) management and sale of properties in agricultural produce exchange markets.

During the Year, the Group recorded a loss attributable to owners of approximately HK$108.9 million (2021: approximately HK$376.0 million). Such reduction in loss is mainly attributable to the effect of the loss on disposal on the Group's investment in Easy One Financial Group Limited, a former associate of the Group, of approximately HK$237.7 million recorded for the financial year ended 31 March 2021 and the absence of such loss for the financial year ended 31 March 2022.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 March 2022 (2021: Nil). No interim dividend was declared for the six months ended 30 September 2021 (30 September 2020: Nil).

BUSINESS REVIEW

The Hong Kong overall economy for the financial year ended 31 March 2022 remained on the track for recovery although the uptrend was greatly challenged by the so-called "5^{th} wave of COVID-19" that was caused by the virus variant Omicron. The GDP of Hong Kong for 2021 increased by 6.4% over 2020, alongside the slowly improving global economy driven by reopening boarders among international cities and stabilising local epidemic situation. Hong Kong had seen its first positive retail growth in early 2021 after 2 years' drop since 2019 and the trend was believed to stay as the market sentiment was stimulated by the growing overall vaccination rate and the gradual relaxation of social distancing policy earlier in the year. Yet the economic recovery remained uneven, with sectors such as import and export sector surpassing previous high records by a considerable margin, while inbound tourism remaining virtually dormant.

Chinese pharmaceutical and health food products

The revenue of Chinese pharmaceutical and health food products increased to approximately HK$512.6 million, equivalent to approximately 13.1% growth from the previous year.

Hong Kong's economy was driven by domestic spending while tourism and business traveling remained at a very low level as the stringent border quarantine control subsists. Relaxation of gathering restriction order coupled with Consumption Voucher Scheme ("**CVS**") helped growth of certain retail businesses such as food stuff, cleansing and disinfecting products and a series of necessities. The economy appeared to gradually regain traction to bring back the shopping spirit to the city's middle-class. The improving labor market, coupled with the boost from CVS, helped stimulate consumption sentiment and lent support to consumption-related sectors. Omicron ironically heightened city's health awareness and has benefited the pharmaceutical sector in general.

Traditional Chinese drugs and herbs spending among Hong Kong consumers has been found a fair share of the overall consumer market. Thanks to the People's Republic of China (the "**PRC**") Central Government's promotion of traditional Chinese medical science after clinically proving successes in curing different levels of COVID-19 patients in Mainland hospitals. Wai Yuen Tong's business models to drive sales through Traditional Chinese medicine ("**TCM**") consultation by our professional practitioners was finally proven effective and has seen success this year. More importantly, a proactive marketing strategy had been adapted to turn the business around. Meanwhile, consumers were believed to coil up for the CVS issuance back in July 2021 amidst months of tight social distancing control and gloomy economy.

Efforts have been made to beef up our TCM consultation service as well. A corporate branding television advertisement was produced to promote our largest TCM practitioner team in Hong Kong to build breadth of our brand's reach. Television program interviews and infotainment have been strategically executed to build depth in the public's understanding of our brand. Results had been seen when Omicron hit hard in February 2022, our TCM practitioner strategy yielded satisfactory return.

Part of our revenue was contributed by self-manufactured products including processed TCM and health supplement products which helped yield healthy gross profit. In terms of sales channels, Hong Kong and Macau business and our digital sales platforms achieved favourable growth for the year.

Western pharmaceutical and health food products

Hong Kong's economy has been struck hard by consecutive outbreak of the COVID-19 pandemic. In spite of this headwind, sales performance of the "Luxembourg" branded-products during the year witnessed an encouraging uplift. The total revenue of the Western pharmaceutical and personal care products delivered a notable growth of approximately 60.8% over last year, attributable to the solid and sound foundation of the business and the persistent efforts of the team in fending off challenges.

Our key brand, "Madame Pearl's", the recognised Over-The-Counter brand in Hong Kong, achieved the Hong Kong cough syrup sales champion for 12 consecutive years, underpinned by our continuous efforts in brand building, marketing and promotion drives across trade, pharmacy and chain store channels. In addition, during the year, the Group dedicated in revamping its Western pharmaceuticals and personal care product distribution channels including the PRC and overseas market. To comply with Mainland China's relevant regulations, the Group has engaged various local distributors to boost up the channel penetration of the "Madame Pearl's" and "Pearl's" brand into Mainland China. In coming year, with strive to fulfill the sales demand, the Group invested substantial resources to enhance the production capacity of Western pharmaceutical in Group's PIC/S GMP accredited manufacturing factory in Yuen Long. Our target is to uplift the current production lines to achieve annual production capacity of 10 million bottles of cough syrup.

The Group's another key brand, "Pearl's", has established leadership in the mosquito repellent product category in Hong Kong. Besides this, in response to the public's pressing demand for protection against infection, the Group launched a range of hand disinfectant products, Germsout, under the brand "Pearl's". This product line consists of two antiseptic products with different alcohol-based formulations recommended by the World Health Organisation. Efficacy has been research-tested and is 99.9% effective in killing bacteria. The products are manufactured under the Group's PIC/S GMP accredited manufacturing factory. In coming year, the Group will plan to launch another advanced disinfectant range to further meet the market need.

Even though the challenges continued in 2022, we have seen inspiring improvement in the last quarter of 2021. We have confidence to be positive that we have emerged on a gradual recovery track in the wake of the pandemic.

Property Investment

As at 31 March 2022, the Group owned 13 properties in Hong Kong which are all retail properties or industrial building. A majority of these properties were used as the retail shops under self-operating and franchise modes. The Group also owned agricultural produce exchange markets in the PRC since its acquisition of China Agri-Products Exchange Limited ("**CAP**") in February 2020. The net fair value losses on owned investment properties for the Year amounted to approximately HK$83.3 million (2021: net fair value losses of approximately HK$32.1 million) as a result of the further deterioration of property market condition.

During the Year, the Group completed the disposal of a retail shop at Shop No. D on Ground Floor of Block D, Wing Lung Building, Nos. 220–240 & 240A Castle Peak Road for a consideration of HK$28.4 million on 2 November 2021. Please refer to the announcement dated 1 July 2021 of the Company for details of the property disposal.

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 Year, CAP recorded revenue of approximately HK$830.5 million (2021: approximately HK$620.8 million) which included (i) approximately HK$411.9 million (2021: approximately HK$387.6 million) generated from operating of agricultural produce exchange markets, and (ii) approximately HK$418.6 million (2021: approximately HK$233.2 million) generated from sale of properties.

Hubei Province

Wuhan Baisazhou Market

Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") is one of the largest agricultural produce exchange 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 one of the most notable agricultural produce exchange markets in Hubei Province. In 2021, Wuhan Baisazhou Market was awarded top 10 of agricultural produce exchange market by China Agricultural Wholesale Market Association. The award was a sign to the market contribution being made by the CAP Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

The outbreak of COVID-19 epidemic in various parts of the PRC during the Year did not cause significant effect on this market, and it was able to remain in normal operations. 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 a joint venture project of the CAP Group founded in January 2015 with an operating area of approximately 23,000 square metres. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy effect with Wuhan Baisazhou Market, facilitating vegetables and by-products trading.

Suizhou Market

Suizhou Baisazhou Agricultural and By-Product Exchange Market ("**Suizhou Market**") is another joint venture project of the CAP Group founded in March 2018. It occupied approximately 240,000 square metres. The CAP Group pursued asset-light operation business model by taking up the contract management rights to operate this market.

Henan Province

Luoyang Market

Luoyang Hongjin Agricultural and By-Product Exchange 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. The business performance of Luoyang Market was satisfactory. The revenue of Luoyang Market increased due to the increase of properties sale recognition during the Year as compared to that of previous year. Sale of properties is the major income generated from Louyang Market.

Puyang Market

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is one of the CAP Group's joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the Year, Puyang Market faced a keen competition from a new market. The revenue decreased as compared to that of previous year.

Kaifeng Market

Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**"), with a gross floor construction area of approximately 140,000 square metres, is the CAP Group's third market operation point for the facilitation of the building of an agricultural produce market network in Henan Province, the PRC. The revenue of Kaifeng Market increased due to increase of properties sale recognition during the Year as compared to that of previous year.

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, the PRC ("**Guangxi Region**") with a site area of approximately 415,000 square metres. The revenue of Yulin Market decreased due to the decrease of properties sale recognition during the Year as compared to that of previous year. Sale of properties is the major income generated from Yulin Market.

Qinzhou Market

Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**"), with a gross floor construction area of approximately 180,000 square metres, is the CAP Group's second market operation point for the facilitation of the building of an agricultural produce market network in the Guangxi Region. The revenue of Qinzhou Market decreased slightly due to the decrease of properties sale recognition during the Year as compared to that of previous year.

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 revenue of Xuzhou Market increased slightly during the Year as compared to that of previous year.

Huai'an Market

Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") occupies approximately 100,000 square metres and is located at Huai'an City of Jiangsu Province, the PRC. Phase one of Huai'an Market had been in 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 CAP Group's first attempt in investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs and held regular market fairs.

Convertible Notes

On 19 October 2016, CAP issued the 7.5% denominated convertible notes with the aggregate principal amount of HK$500.0 million which was mature 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. During the Year, no Convertible Notes were converted into shares of CAP by the holders of the Convertible Notes. On 9 December 2020, the CAP partially redeemed the Convertible Notes in the principal amount of HK$130.0 million. On 18 October 2021, CAP fully redeemed the remaining principal amount of HK$134.8 million. As at 31 March 2022, there were no outstanding Convertible Notes.

Unsecured Notes Due in 2024 ("Unsecured Notes")

In May 2014, CAP established a HK$1,000.0 million medium term note program. The Unsecured Notes issued under the program are listed on the Stock Exchange by way of debt issue to professional investors only (Stock Code: 5755). As at 31 March 2022, the Unsecured Notes had an outstanding principal amount of HK$290.0 million.

FINANCIAL REVIEW

Liquidity and Gearing and Financial Resources

As at 31 March 2022, the Group had total assets of approximately HK$7,597.7 million (2021: approximately HK$7,964.5 million) which were financed by current liabilities of approximately HK$1,881.3 million (2021: approximately HK$2,371.4 million), non-current liabilities of approximately HK$1,755.8 million (2021: approximately HK$1,642.8 million) and shareholders' equity of approximately HK$3,960.6 million (2021: approximately HK$3,950.3 million).

As at 31 March 2022, the Group's cash and cash equivalents were approximately HK$510.1 million (2021: approximately HK$507.2 million).

As at 31 March 2022, the Group's total interest-bearing debts amounted to approximately HK$1,681.2 million (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 and Renminbi ("**RMB**").

	At 31 March 2022		At 31 March 2021	
	HK$ million	***Approximate effective interest rate***	*HK$ million*	*Approximate effective interest rate*
Unsecured Notes	**219**	**12%**	199	12%
Convertible Notes	**—**	**—**	132	12%
Financial institution borrowings	**1,392**	**4%**	1,255	4%
A subsidiary of Wang On Group Limited ("**Wang On**")	**70**	**10%**	75	10%
Total	**1,681**		1,661	

As at 31 March 2022, the Unsecured Notes issued by CAP will mature in September 2024; the Convertible Notes of CAP reached maturity and were fully repaid in October 2021; the financial institution borrowings of the Group will mature during the period from June 2022 to May 2029; and the loan from a subsidiary of Wang On will mature in September 2022, in which on 3 May 2022, a subsidiary of Wang On entered into a revolving loan facility agreement to extend the outstanding principal amount of HK$70.0 million to 2 May 2027. The revolving loan facility constituted a connected transaction of the Company and was approved by the shareholders of the Company on 22 June 2022.

The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.5 (2021: approximately 1.4). The gearing ratio, being the ratio of total interest-bearing debts net of cash and cash equivalents and pledged deposits to equity attributable to owners of the parent, was approximately 45.3% (2021: approximately 45.0%). The Group always adopts a conservative approach in its financial management.

Significant Investments Held

As at 31 March 2022, 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$167.0 million and approximately HK$109.7 million respectively, details of which were set out as follows:

Name of Investments	As at 31 March 2022 Amount held	As at 31 March 2022 Percentage to Group's net assets	For the financial year ended 31 March 2022 Fair value gain/(loss)	For the financial year ended 31 March 2022 Interest income	For the financial year ended 31 March 2022 Dividends received	Fair value/carrying amount As at 31 March 2022	Fair value/carrying amount As at 31 March 2021	Investment costs
	HK$'000	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income:								
A. Equity investments								
Wang On	120,172	3.03%	6,867	—	5,151	120,172	113,305	81,506
Others	26,954	0.68%	(5,545)	—	380	26,954	33,552	55,601
B. Debt investments	19,839	0.50%	(57,083)	6,772	—	19,839	135,958	43,018
Sub-total	166,965	4.21%	(55,761)	6,772	5,531	166,965	282,815	180,125
Financial assets at fair value through profit or loss:								
A. Unlisted funds								
Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("**BREIT**")	65,963	1.67%	7,605	—	1,187	65,963	—	58,358
Other unlisted funds	33,681	0.85%	(46,310)	70	2,696	33,681	98,672	81,750
B. Others	10,096	0.25%	7,012	—	—	10,096	3,931	5,470
Sub-total	109,740	2.77%	(31,693)	70	3,883	109,740	102,603	145,578
Total	276,705	6.98%	(87,454)	6,842	9,414	276,705	385,418	325,703

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. As at 31 March 2022, the Group is interested in 1,716,749,000 shares in Wang On, representing approximately 10.74% of all its issued shares.

(b) BREIT

BREIT is an exempted company registered as a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. The underlying investment, namely Blackstone Real Estate Income Trust (in which the Group invested through subscription of interests in access funds related to BREIT), is a non-listed, perpetual-life real estate investment trust that was established in 2017. It invests primarily in stabilised, income-generating U.S. commercial real estate.

(c) 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 31 March 2022.

(d) Save as disclosed above, the Group also invested in other unlisted funds and derivative financial instruments, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2022.

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 31 March 2022, the fair value of the Group's investment in bonds and equity securities amounted to approximately HK$19.8 million (2021: approximately HK$136.0 million) and approximately HK$147.1 million (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$55.8 million in the other comprehensive income for the Year (2021: net gain of approximately HK$42.3 million).

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

As at 31 March 2022, 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$31.7 million for the Year (2021: net gain of approximately HK$6.6 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$132.6 million (2021: gain of approximately HK$286.5 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 and unlisted funds to maximise assets efficiency.

Capital Commitment

As at 31 March 2022, the Group had capital commitment of approximately HK$272.9 million (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 consolidated financial statements.

Pledge of Assets

As at 31 March 2022, 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$2,926.4 million (2021: approximately HK$2,435.3 million).

Financial Guarantee

As at 31 March 2022, the Group provided guarantees of approximately HK$45.5 million to customers in favour of certain banks for the loans provided by the banks to the customers of the properties sold (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.

Disposal of partial equity interest of a subsidiary

On 18 June 2021, Century Choice Limited ("**Century Choice**"), an indirect 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 financial 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. As a result of such reduction of registered capital contribution, the CAP Group's equity interest in Yulin Hongjin decreased from 65% to 51%. The Group's effective equity interest in Yulin Hongjin decreased from approximately 34.69% to approximately 27.22%. 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., Limited ("**Tian Jiu**") for their respective 70% and 20% interests 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 is 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 fillings 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 Judgement**"). On 20 December 2018, the Beijing Higher People's Court upheld the 31 March Judgement (the

“**20 December Judgement**”). Ms. Wang and Tian Jiu applied to the Supreme People’s Court for a retrial and for dismissal of (i) the 31 March Judgement, and (ii) the 20 December Judgement, 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 (“**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 Judgement**”).

In January 2020, Ms. Wang and Tian Jiu appealed against the 23 December Judgement. On 29 March 2021, the CAP Group received the judgement of the Supreme Court dated 29 December 2020 (the “**29 December Judgement**”) which upheld the 23 December Judgement 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 Judgement and the 29 December Judgement, 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 judgement 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.

Prosecution commenced in the PRC by Wuhan Jianghan District People's Procuratorate against the former director of Baisazhou Agricultural, Mr. Zhou Jiu Ming

According to the judgement of Hubei Wuhan Jianghan District People's Court ("**Jianghan Court**") dated 19 November 2021 (the "**19 November Judgement**"), the former director of Baisazhou Agricultural, Mr. Zhou Jiu Ming ("**Mr. Zhou**"), during the period of 2009 under the employment of Baisazhou Agricultural, instructed other associated personnel of Baisazhou Agricultural to unlawfully misappropriate funds of Baisazhou Agricultural in the sum of RMB40.0 million for his personal use. Wuhan Jianghan District People's Procuratorate commenced prosecution against Mr. Zhou for a penalty. Jianghan Court ordered in the 19 November Judgement that: (1) Mr. Zhou was guilty of misappropriation of funds and was sentenced to five years of imprisonment; (2) Mr. Zhou shall return the misappropriated funds of RMB40.0 million to Baisazhou Agricultural in accordance with the law.

According to the judgement of Hubei Wuhan Intermediate People's Court ("**Wuhan Court**") dated 11 January 2022 (the "**11 January Judgement**"), Wuhan Court ordered that the appeal by Mr. Zhou against the 19 November Judgement be dismissed. The 11 January Judgement is final.

The case has now come to an end.

On 1 March 2022, Baisazhou Agricultural received the sum of RMB40.0 million returned by Mr. Zhou. Compensation from litigation judgement of approximately HK$48.6 million was recognised and included in "Other income and gains, net" in the consolidated statement of profit or loss and other comprehensive income.

Further details regarding the civil proceedings of the CAP Group 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 31 March 2022, the Group had 1,872 (2021: 1,822) employees, of whom approximately 34.4% (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 long-term relationship with its suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) industrial policy risk: (a) with the deepening of medical system reform and the issuance of a number of industrial policies and laws in respect of medical charge control and control of medicines and certification for traditional Chinese medicine significant effect may be brought to the future development of the pharmaceutical industry; and (b) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agricultural produce exchange markets;

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

(iii) environmental protection policies: environmental impact caused by waste and wastewater generated during the pharmaceutical manufacturing process and the construction and operations of agricultural produce exchange markets, efficiency and security of key infrastructure;

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

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

(vi) supply chain disruption: raw material shortage or price inflation due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings;

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

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

(ix) sourcing: less globalised sourcing, lower cost competitiveness;

(x) volatility in retail rental: continuously increasing in retail rent may reduce our profitability if we are unable to pass on the effect of such increases to our customers; and

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

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

PROSPECTS

Chinese and Western Pharmaceutical and Health Food Products

Looking ahead, the Group will accelerate the development of its Chinese medical consultation linking to TCM products in Mainland China and Macau which can diversify the risk of market uncertainty and explore markets beyond the elder age 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. The Chief Executive's 2021 Policy Address granted higher authority to integrate hi-tech medical analytic services in their diagnosis process. Hong Kong's TCM practice will evolve seeing the first Chinese Medicine Hospital commence service as of 2025.

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 labor market outlook.

The market still longs for full reopening of HK-PRC 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 is bolstered by the gradual resumption of economic activities in recent months as a result of the effective control of COVID-19 and its variant from spreading in the community.

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

The Group will take advantage of the Guangdong-Hong Kong-Macau Greater Bay Area policy in order to broaden the distribution network and help strengthen the Group's sales and brand recognition. The Government of Macau SAR has granted Wai Yuen Tong (Macao) Limited ("**WYT Macao**") the import/export and wholesales license of medicine in Macau. That allowed WYT Macao to directly sell its products to pharmacies/supermarkets/chain stores on a wholesale basis so as to expand our market share in Macau.

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 is expected to increase.

We continue to ride on the development trend of the comprehensive new healthcare products to satisfy the increasing 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 launched our new product range — PROVET as we believe "Tonic and health preservation are not exclusive to mankind". 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 welcomed 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 the pets.

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 tackle the weakened retail market which might continue for the rest of the year.

Management and Sale of Properties in Agricultural Produce Exchange Markets

During the Year, due to the resurgence of COVID-19 in various parts of the PRC, the local authorities have tightened the public hygiene controls. Notwithstanding these, the operations of the CAP Group during the Year had not been materially disrupted. The CAP Group has maintained high caution for all of its agricultural produce exchange markets, enabling its markets to meet up with the new hygienic requirements. This maintains its competitiveness against many local and less-sophisticated competitors.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2022, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2022". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agricultural products and improve regional cold storage infrastructure.

In June 2021, Opinions of 17 Departments including Ministry of Commerce on Strengthening of the Construction of the County-level Commercial System to Promote Rural Consumption (No. 99 (2021) of the Ministry of Commerce) (the "**Opinion**") was issued. The Opinion states that comprehensive business service centers and logistics distribution center in county seats shall be transformed and upgraded whereas large urban distribution enterprises shall be encouraged to expand the rural market, build and share warehousing and other equipment and facilities.

In December 2021, Notice by State Council Issuing the 14th Five Year Development Plan for the Digital Economy (No. 29 (2021) of the State Council) was published, which states that the transformation of industrial digitalisation was promoted steadily and agricultural digitalisation was built in a comprehensive manner.

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 it could make use of the support from the PRC government and "asset-light" strategy and business model, to deliver long-term benefits to CAP and its shareholders as a whole.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year ended 31 March 2022, on 3 May 2022, CAP proposed to enter into a loan agreement with Ping An Bank Co., Ltd. for a loan principal amount of RMB300.0 million (in its HKD equivalent) for a term of three years (the "**Ping An Loan**"). As a condition to the Ping An Loan, the Company is required to provide a financial guarantee (the "**Guarantee**") in respect of CAP's obligations under the Ping An Loan. The Guarantee provided by the Company constituted a connected transaction for the Company and Wang On under the Listing Rules. On 22 June 2022, the independent shareholders of the Company and Wang On approved the Guarantee at their respective special general meetings.

At the same special general meetings held on 22 June 2022, the independent shareholders of the Company and Wang On also approved the revolving credit facility to CAP, for an aggregate principal amount of HK$576.0 million, in which HK$506.0 million provided by Winning Rich Investments Limited (a wholly-owned subsidiary of the Group) and HK$70.0 million provided by Double Leads Investments Limited (a fellow subsidiary of the Group), for a term of five years at the interest rate of 10.0% per annum. Such facility would expire on 2 May 2027.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

CORPORATE SOCIAL RESPONSIBILITY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year under review, Mr. Tang Ching Ho ("**Mr. Tang**"), the chairman of the Board, also assumed the role of managing Director, which arrangement deviated from code provision C.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 C.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole. The Group continues to review and propose, as and when appropriate, by taking into consideration of such deviation and any other relevant factors.

Further details of the Company's corporate governance practices will be set out in the corporate governance report to be contained in the Company's 2022 annual report.

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 Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year under review and up to the date hereof. No incident of non-compliance by the Directors was noted by the Company during the year under review.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with the Company's management and approved the accounting policies and principles adopted and the Group's consolidated financial statements for the financial year ended 31 March 2022.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of HKEX news (www.hkexnews.hk) and the Company (www.wyth.net). The 2022 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
（位元堂藥業控股有限公司*）
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 28 June 2022

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*