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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 2022

Interim Financial Highlights			
	Six months ended		Change
	30 September	2021	
<i>HK\$ million</i>	2022	2021	
	(Unaudited)	(Unaudited)	
Revenue	606.1	656.1	(7.6%)
Gross profit	268.2	275.2	(2.5%)
Profit/(loss) attributable to owners of the parent	(53.4)	14.1	(478.7%)
Earnings/(loss) per share <i>(HK cents)</i>			
– Basic and diluted	(4.35)	1.15	(5.50)
	As at	As at	
	30 September	31 March	
	2022	2022	
	(Unaudited)	(Audited)	
Net asset value	3,530.3	3,960.6	(10.9%)
Cash and cash equivalents	585.0	510.1	14.7%
Gearing ratio	51.1%	45.3%	5.8%

* 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 2022, together with the comparative figures for the corresponding period in 2021. This interim condensed consolidated financial information was not audited, but has 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 2022

	Notes	Six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	606,127	656,082
Cost of sales		<u>(337,938)</u>	<u>(380,869)</u>
Gross profit		268,189	275,213
Other income and gains, net	4	38,472	41,736
Selling and distribution expenses		(117,425)	(109,539)
Administrative expenses		(139,829)	(136,081)
Impairment losses on financial assets, net		(10,385)	(4,792)
Other expenses, net		(11,400)	6,776
Write-down of properties held for sale		(4,685)	–
Finance costs	6	(52,447)	(47,882)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net		(11,154)	(5,201)
Fair value gains on owned investment properties, net		20,919	34,000
Share of profits and losses of associates		<u>722</u>	<u>59</u>
PROFIT/(LOSS) BEFORE TAX	5	(19,023)	54,289
Income tax expense	7	<u>(16,620)</u>	<u>(18,969)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(35,643)</u>	<u>35,320</u>

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(384,713)</u>	<u>62,383</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(420,356)</u></u>	<u><u>97,703</u></u>
Profit/(loss) attributable to:		
Owners of the parent	(53,385)	14,109
Non-controlling interests	<u>17,742</u>	<u>21,211</u>
	<u><u>(35,643)</u></u>	<u><u>35,320</u></u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	(239,983)	81,851
Non-controlling interests	<u>(180,373)</u>	<u>15,852</u>
	<u><u>(420,356)</u></u>	<u><u>97,703</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	
Basic and diluted	<u><u>HK(4.35) cents</u></u>	<u><u>HK1.15 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

		30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,011,774	956,400
Investment properties		3,114,566	3,562,503
Net investments in subleases		7,312	9,093
Investments in associates		4,526	3,804
Financial assets at fair value through other comprehensive income		143,095	147,126
Loans and interest receivables	11	16,052	13,340
Financial assets at fair value through profit or loss		125	135
Prepayments and deposits	12	17,665	16,558
Deferred tax assets		48	48
 Total non-current assets		 4,315,163	 4,709,007
CURRENT ASSETS			
Properties under development		155,017	189,944
Properties held for sale		1,267,212	1,490,847
Inventories		231,578	188,179
Trade receivables	10	53,631	63,346
Loans and interest receivables	11	9,739	17,528
Prepayments, deposits and other receivables	12	218,653	244,004
Net investments in subleases		3,559	5,592
Financial assets at fair value through other comprehensive income		637	19,839
Financial assets at fair value through profit or loss		45,840	109,605
Tax recoverable		6,881	11,115
Pledged deposits		12,106	31,250
Restricted bank balances		9,223	7,311
Cash and cash equivalents		584,962	510,146
 Total current assets		 2,599,038	 2,888,706

		30 September	31 March
		2022	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	<i>13</i>	101,955	86,357
Other payables and accruals	<i>14</i>	618,551	769,384
Contract liabilities	<i>14</i>	158,168	242,967
Interest-bearing bank and other borrowings		537,444	640,262
Tax payable		126,617	142,344
		<u>1,542,735</u>	<u>1,881,314</u>
NET CURRENT ASSETS			
		<u>1,056,303</u>	<u>1,007,392</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,371,466</u>	<u>5,716,399</u>
NON-CURRENT LIABILITIES			
Other payables	<i>14</i>	65,150	72,589
Unsecured notes		206,627	219,497
Interest-bearing bank borrowings		1,008,683	821,403
Deferred tax liabilities		560,711	642,299
		<u>1,841,171</u>	<u>1,755,788</u>
NET ASSETS			
		<u>3,530,295</u>	<u>3,960,611</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,046	12,316
Reserves		2,249,741	2,503,482
		<u>2,261,787</u>	<u>2,515,798</u>
Non-controlling interests		1,268,508	1,444,813
		<u>1,268,508</u>	<u>1,444,813</u>
TOTAL EQUITY			
		<u>3,530,295</u>	<u>3,960,611</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 3 to the unaudited interim condensed consolidated financial information.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2022 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 2022.

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.

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 2022, 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 unaudited interim condensed consolidated financial information.

Amendments to HKFRS 3
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018–2020*

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples
accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

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

- (a) production and sale of Chinese pharmaceutical and health food products – manufacture, processing and sale of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured using selected medicinal materials with traditional prescription, mainly in Mainland China and Hong Kong;
- (b) production and sale of Western pharmaceutical and health food products – manufacture, 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, finance costs, fair value losses on financial assets and liabilities at fair value through profit or loss, net and head office and corporate income and expenses 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

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Segment revenue:												
Sale to external customers	266,649	239,902	32,977	18,255	2,884	4,343	303,617	393,582	-	-	606,127	656,082
Intersegment sales	14	40	368	-	7,282	6,683	-	-	(7,664)	(6,723)	-	-
Total	266,663	239,942	33,345	18,255	10,166	11,026	303,617	393,582	(7,664)	(6,723)	606,127	656,082
Segment results	(14,505)	(9,566)	(2,488)	(15,288)	(10,982)	41,502	59,833	63,857			31,858	80,505
Other income and gains, net											38,472	41,736
Unallocated income and expenses, net											(25,752)	(14,869)
Finance costs											(52,447)	(47,882)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net											(11,154)	(5,201)
Profit/(loss) before tax											(19,023)	54,289
Income tax expense											(16,620)	(18,969)
Profit/(loss) for the period											(35,643)	35,320

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	507,937	549,012
Revenue from other sources		
Gross rental income from investment properties operating leases	<u>98,190</u>	<u>107,070</u>
	<u>606,127</u>	<u>656,082</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2022

Segments

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) HK\$'000	Production and sale of Western pharmaceutical and health food products (Unaudited) HK\$'000	Management and sale of properties in agricultural produce exchange markets (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of goods or services				
Sale of goods	262,396	32,977	1,231	296,604
Management and promotion services	4,253	–	–	4,253
Sale of properties	–	–	108,185	108,185
Commission income from agricultural produce exchange markets	–	–	51,505	51,505
Agricultural produce exchange markets ancillary services	–	–	47,390	47,390
Total revenue from contracts with customers	<u>266,649</u>	<u>32,977</u>	<u>208,311*</u>	<u>507,937</u>
Geographical markets				
Hong Kong	203,919	12,277	–	216,196
Mainland China	40,520	17,241	208,311	266,072
Macau	20,299	2,900	–	23,199
Others	<u>1,911</u>	<u>559</u>	<u>–</u>	<u>2,470</u>
Total revenue from contracts with customers	<u>266,649</u>	<u>32,977</u>	<u>208,311*</u>	<u>507,937</u>
Timing of revenue recognition				
Goods or services transferred at a point in time	262,396	32,977	160,921	456,294
Services transferred over time	<u>4,253</u>	<u>–</u>	<u>47,390</u>	<u>51,643</u>
Total revenue from contracts with customers	<u>266,649</u>	<u>32,977</u>	<u>208,311*</u>	<u>507,937</u>

* Gross rental income from investment properties operating leases of HK\$95,306,000 (six months ended 30 September 2021: HK\$102,727,000) that was attributable to the management and sale of properties in agricultural produce exchange markets segment was not included in the above disclosure.

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>
Type of goods or services				
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>
Geographical markets				
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	<u>2,034</u>	<u>433</u>	<u>–</u>	<u>2,467</u>
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</u>
Timing of revenue recognition				
Goods or services transferred at a point in time	237,083	18,255	240,484	495,822
Services transferred over time	<u>2,819</u>	<u>–</u>	<u>50,371</u>	<u>53,190</u>
Total revenue from contracts with customers	<u>239,902</u>	<u>18,255</u>	<u>290,855*</u>	<u>549,012</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 2022

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Management and sale of properties in agricultural produce exchange markets (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue from contracts with customers				
External customers	266,649	32,977	208,311*	507,937
Intersegment sales	14	368	–	382
Segment revenue	266,663	33,345	208,311*	508,319
Intersegment adjustments and eliminations	(14)	(368)	–	(382)
Total revenue from contracts with customers	<u>266,649</u>	<u>32,977</u>	<u>208,311*</u>	<u>507,937</u>

For the six months ended 30 September 2021

	Production and sale of Chinese pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Production and sale of Western pharmaceutical and health food products (Unaudited) <i>HK\$'000</i>	Management and sale of properties in agricultural produce exchange markets (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue from contracts with customers				
External customers	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>

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Interest income on loan receivables	1,482	2,199
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	1,054	6,509
Interest income on bank deposits	2,656	1,816
Finance income on net investments in subleases	192	261
Dividends from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	1,271	6,150
Rental income from other properties	20,466	21,315
Government subsidies**	4,739	799
Others	4,722	1,823
	<u>36,582</u>	<u>40,872</u>
Gains, net		
Gain on disposal/redemption of financial assets at fair value through other comprehensive income, net	753	–
Gain on early redemption of unsecured notes	774	–
Gain on disposal of an investment property	363	–
Gain on modification/termination of lease contracts	–	52
Exchange gains, net	–	812
	<u>1,890</u>	<u>864</u>
Other income and gains, net	<u>38,472</u>	<u>41,736</u>

** Government subsidies during the six months ended 30 September 2022 represented The People's Republic of China (the "PRC") government subsidies of HK\$4,739,000 (six months ended 30 September 2021: 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.

The Group has complied with all attached conditions before the six months ended 30 September 2022 and 2021 and recognised these grants in profit or loss as "Other income and gains, net" in the respective accounting period.

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK\$372,000 (six months ended 30 September 2021: HK\$4,101,000))	170,242	154,837
Cost of properties sold	97,982	161,217
Cost of services provided	69,714	64,815
Depreciation of owned assets	27,373	30,338
Depreciation of right-of-use assets	29,118	22,578
Foreign exchange differences, net	5,363*	(812)
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Trade receivables	3,160	(514)
Financial assets included in prepayments, deposits and other receivables	16	(142)
Debt investments at fair value through other comprehensive income	6,629	6,729
Loans and interest receivables	580	(1,281)
	<u>10,385</u>	<u>4,792</u>
Gross rental income	(118,656)	(128,385)
Less: Direct outgoing expenses	171	129
	<u>(118,485)</u>	<u>(128,256)</u>
Loss/(gain) on disposal/redemption of financial assets at fair value through other comprehensive income, net	(753)	1,242*
Loss on disposal of items of property, plant and equipment	306*	–
Impairment losses/(reversal of impairment losses) on property, plant and equipment, net	5,731*	(8,018)*
Write-down of properties held for sale to net realisable value	4,685	–
Net fair value losses on sub-leased investment properties	<u>4,273**</u>	<u>1,324**</u>

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	38,226	26,450
Interest on lease liabilities	2,068	2,505
Interest on unsecured notes	12,153	11,279
Interest on convertible notes	–	7,648
	<u>52,447</u>	<u>47,882</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	830	531
Current – other jurisdiction		
Charge for the period	24,249	61,453
Overprovision in prior years	(1,821)	–
Deferred taxation	<u>(6,638)</u>	<u>(43,015)</u>
Total tax charge for the period	<u>16,620</u>	<u>18,969</u>

8. INTERIM DIVIDEND

The board of directors does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

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

The calculation of the basic earnings/(loss) per share for the six months ended 30 September 2022 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 1,227,846,185 (six months ended 30 September 2021: 1,231,642,888).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2022 in respect of a dilution as the impact of the share options issued by China Agri-Products Exchange Limited (“CAP”) had no dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 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 earnings per share amount presented.

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	<u><u>(53,385)</u></u>	<u><u>14,109</u></u>
	Number of shares	
	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings/(loss) per share calculation	<u><u>1,227,846,185</u></u>	<u><u>1,231,642,888</u></u>

10. TRADE RECEIVABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Trade receivables	70,453	79,515
Less: Accumulated impairment	<u>(16,822)</u>	<u>(16,169)</u>
	<u>53,631</u>	<u>63,346</u>

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\$9,519,000 (31 March 2022: HK\$6,828,000) 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:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 1 month	26,989	36,209
1 to 3 months	11,002	7,172
3 to 6 months	8,923	8,267
Over 6 months	<u>6,717</u>	<u>11,698</u>
	<u>53,631</u>	<u>63,346</u>

11. LOANS AND INTEREST RECEIVABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Loans receivables	48,312	56,616
Interest receivables	<u>18,357</u>	<u>19,865</u>
	66,669	76,481
Less: Impairment allowance	<u>(40,878)</u>	<u>(45,613)</u>
	25,791	30,868
Less: Portion classified as non-current assets	<u>(16,052)</u>	<u>(13,340)</u>
	9,739	17,528
Portion classified as current assets	<u><u>9,739</u></u>	<u><u>17,528</u></u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Prepayments	41,551	31,610
Deposits paid for the acquisition of property, plant and equipment	1,349	3,040
Rental and other deposits	93,570	114,933
Other receivables	83,075	84,442
Right-of-return assets	1,111	1,301
Cost of obtaining contracts	<u>15,932</u>	<u>25,524</u>
	236,588	260,850
Total prepayments, deposits and other receivables	236,588	260,850
Less: Impairment allowance	<u>(270)</u>	<u>(288)</u>
	236,318	260,562
Less: Portion classified as non-current assets	<u>(17,665)</u>	<u>(16,558)</u>
	218,653	244,004
Portion classified as current assets	<u><u>218,653</u></u>	<u><u>244,004</u></u>

13. TRADE PAYABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Trade payables	<u>101,955</u>	<u>86,357</u>

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

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 1 month	43,759	22,339
1 to 3 months	14,824	9,753
3 to 6 months	1,095	9,328
Over 6 months	<u>42,277</u>	<u>44,937</u>
	<u>101,955</u>	<u>86,357</u>

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.

14. OTHER PAYABLES AND ACCRUALS/CONTRACT LIABILITIES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Receipts in advance	143,004	243,961
Rental and other deposits received	87,212	102,107
Contract liabilities	158,168	242,967
Refund liabilities	1,668	1,934
Other payables	249,018	281,664
Accruals	85,727	89,255
Lease liabilities	117,072	123,052
	841,869	1,084,940
Less: Portion classified as non-current liabilities	(65,150)	(72,589)
Portion classified as current liabilities	776,719	1,012,351
Represented by:		
Contract liabilities	158,168	242,967
Current portion of other payables and accruals	618,551	769,384
Portion classified as current liabilities	776,719	1,012,351

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2022 (the “**Period**”), total revenue of the Group decreased by approximately 7.6% to approximately HK\$606.1 million, which was mainly attributable to the decrease in sales performance of the Group’s business segments in management and sale of properties in agricultural produce exchange markets.

During the Period, the Group recorded a loss attributable to owners of the parent amounted to approximately HK\$53.4 million (six months ended 30 September 2021: a profit attributable to owners of the parent amounted to approximately HK\$14.1 million). Such loss was mainly attributable to the combined effect of (i) decrease in fair value gains on investment properties; (ii) impairment losses on property, plant and equipment recorded for the six months ended 30 September 2022, against the reversal of impairment losses on property, plant and equipment recorded for the six months ended 30 September 2021; (iii) increase in fair value losses and impairment losses on financial assets; and (iv) decrease in revenue from property sales in agricultural produce exchange markets in the People’s Republic of China (the “**PRC**”) (through the Company’s 53.37%-owned listed subsidiary, China Agri-Products Exchange Limited (“**CAP**”, Stock Code: 149, together with its subsidiaries, the “**CAP Group**”)) as compared to that for the corresponding period in 2021.

BUSINESS REVIEW

The Hong Kong economy improved in overall terms but the extent of improvement was weaker than expected. Weakened global demand and continued cross-boundary transportation disruptions dragged heavily on export performance. Looking forward, the markedly deteriorating external environment will weigh heavily on Hong Kong’s export performance in the remainder of the year. Nonetheless, if cross-boundary logistics disruptions between the PRC and Hong Kong can resume normalcy, this will help boost Hong Kong’s external trade performance. The latest “0+3” quarantine and testing arrangements for inbound visitors is also conducive to attracting visitors and thereby improving the overall consumer market sentiment. Domestically, economic activities are expected to show signs of recovery along with the local epidemic situation becoming under control. The Hong Kong Government’s Consumption Voucher Scheme (“**CVS**”) will continue to support consumption demand, but the recent adverse financial conditions may have dampened consumer sentiment and spending and may also cause businesses to be more cautious in undertaking capital investment.

Looking ahead, the majority of Hong Kong consumers' spending decisions are expected to remain prudent under the shadow of the recent surge in interest rates. The labour market is expected to improve further in the near term with the extent of improvement largely depending on the performance of domestic economic activities. The "0+3" government quarantine policy has made it easier for Hong Kong residents travelling overseas and may lead to an increase in overseas spending thereby reducing domestic consumptions.

As the Hong Kong Government continues to step up measures in pushing for a higher vaccination rate in the community, discussions with the central government are still underway, with a view to fully reopening the border so as to boost the overall local economy, including the tourism and retail sectors. The market longs for full reopening of the border which would potentially bring a leapfrog to the city's economy to revitalise tourism and create more job opportunities.

Chinese Pharmaceutical and Health Food Products

In the first half of 2022, 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 April 2022, the revenue of Chinese pharmaceutical and health food products business recorded a healthy growth of approximately 11.1% when compared with the same period in 2021.

The Group ran a CVS thematic campaign to offer a range of products with attractive price tags on multi-pack purchases aiming to capture the government-boosted purchasing power in the consumer market. The Group has also increased its range of health tonic supplements offering to further capture the growing segment of the market. Advertisements were also created to support sales by the Group's retail network. Moreover, the Group has launched its 125th Anniversary campaign showcasing the heritage and the spirit of inheritance in order to increase brand awareness of Wai Yuen Tong and its long history.

In order to strive among key market competitors in the PRC, Hong Kong and Macau, the Group keeps expanding its market share by opening retail outlets in the domestic sector. Moreover, to extend our care for public health, we are expanding our fleet of professional Chinese medicine practitioners, for provision of Chinese medical clinics service at our retail outlets. In particular, the Group has started to launch three Chinese specialists centers in Central, Causeway Bay and Jordan to provide specialised solutions for patients with special medical needs. In addition, the Group has further expanded its distribution networks in key chain stores as well as expanded activities in its online e-commerce business.

The Group will further explore opportunities in expanding its retail sales network and continue to improve the performance of the existing retail outlet portfolio and mixture in order to counteract the negative impact of the current uncertain business environment.

Western Pharmaceutical and Health Food Products

During the Period, the economies of Hong Kong continued to be impacted by the COVID-19 pandemic. Though we saw inspiring signs of recovery, market sentiment was still swayed by new threats of virus variants. The ongoing pandemic-related travel restrictions have kept more than 99% of inbound tourists away from Hong Kong compared with the pre-pandemic level. Notwithstanding, the total revenue of Western pharmaceutical and personal care products business during the Period delivered a growth of approximately 80.6% over the corresponding period in 2021.

Responding to such a turbulent market environment, the Group spared no effort in realising business opportunities in the market. “Madame Pearl’s”, our heritage brand, has achieved the Hong Kong cough syrup sales champion for 12 consecutive years, underpinned by our continuous efforts in strategic sales and marketing activities. During the Period, the Group made sound and solid progress in building up effective Hong Kong trade channels for distributing Luxembourg’s products. Furthermore, to comply with the PRC’s relevant regulations, the Group has engaged various local distributors to boost up the channel penetration of “Madame Pearl’s” and “Pearl’s” brand in the PRC.

“Pearl’s”, the Group’s another key brand, has established leadership in the mosquito repellent product market in Hong Kong. The sales revenue of “Pearl’s” MosquitOut reported a growth over the corresponding period in 2021. Additionally, to cater for the evolving trend of market needs, especially for the elderly and the pressing demand for protection against infection, in the coming year, we plan to introduce nutritious soft meals for the elderly and an advanced disinfectant range under the brand name, “Pearl’s”.

During the pandemic period, consumer purchasing behavior has greatly shifted away from offline to online. In response to this trend, we have been actively deploying resources to establish our e-commerce channels for our business in this segment, including the distribution of “Madame Pearl’s” and “Pearl’s” products through our own online platform (WYT eShop) and selected third-party e-commerce platforms, e.g. HKTVmall and the implementation of our cross-border e-commerce business plan.

Property Investment

As at 30 September 2022, the Group owned 14 properties in Hong Kong which are all retail properties or industrial building. A majority of these properties were used as retail shops operated under self-operating and franchise modes. The Group also owned agricultural produce exchange markets in the PRC through CAP. The net fair value gains on owned investment properties for the Period amounted to approximately HK\$20.9 million (six months ended 30 September 2021: approximately HK\$34.0 million).

During the Period, the Group subdivided a property at Ground Floor and Cockloft, Nos. 581 and 581A Nathan Road, Mongkok, Kowloon, Hong Kong into two properties. A property was used by the Group as retail shop and another one was leased out for generating rental income. Therefore, the owned properties in Hong Kong increased from 13 as at 31 March 2022 to 14 as at 30 September 2022.

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\$303.6 million (six months ended 30 September 2021: approximately HK\$393.6 million) which included (i) approximately HK\$195.4 million (six months ended 30 September 2021: approximately HK\$203.0 million) generated from operating of agricultural produce exchange markets, and (ii) approximately HK\$108.2 million (six months ended 30 September 2021: approximately HK\$190.6 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. In 2021, it was awarded top 10 of agricultural produce exchange markets by China Agricultural Wholesale Market Association. The award recognises the effort and contribution of the CAP Group in the agricultural market and it acknowledges the expertise of the CAP Group as an agricultural produce exchange market operator in the PRC. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

During the Period, the outbreak of the COVID-19 pandemic did not cause any significant impact in the market, and it remained in normal operation.

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 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. The CAP Group has pursued asset light operation business model by taking up the contract management rights to operate this 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 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. 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. Sale of properties is the major income generated from Luoyang 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 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 140,000 square metres, is 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. 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, is the second point of market operations in the Guangxi Region and facilitates 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 Huai'an Market needs more time to achieve market growth.

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.

Unsecured Notes Due in 2024 (“Unsecured Notes”)

In May 2014, CAP established a HK\$1,000 million medium term note program. The Unsecured Notes issued under the program are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of debt issue to professional investors only (Stock Code: 5755). On 24 August 2022, CAP had completed the repurchase of and subsequently cancelled the Unsecured Notes in the aggregate principal amount of HK\$30.0 million. Following such repurchase and cancellation, the Unsecured Notes had an outstanding principal amount of HK\$260.0 million.

FINANCIAL REVIEW

Liquidity and Gearing and Financial Resources

As at 30 September 2022, the Group had total assets of approximately HK\$6,914.2 million (31 March 2022: approximately HK\$7,597.7 million) which were financed by current liabilities of approximately HK\$1,542.7 million (31 March 2022: approximately HK\$1,881.3 million), non-current liabilities of approximately HK\$1,841.2 million (31 March 2022: approximately HK\$1,755.8 million) and shareholders' equity of approximately HK\$3,530.3 million (31 March 2022: approximately HK\$3,960.6 million).

As at 30 September 2022, the Group's total of cash and cash equivalents and pledged deposit were approximately HK\$597.1 million (31 March 2022: approximately HK\$541.4 million).

As at 30 September 2022, the Group's total interest-bearing debts amounted to approximately HK\$1,752.8 million (31 March 2022: approximately HK\$1,681.2 million), all of which were denominated in Hong Kong dollars and Renminbi ("RMB"). As at 30 September 2022, except for Unsecured Notes of approximately HK\$206.6 million (31 March 2022: approximately HK\$219.5 million) and portion of bank borrowings of approximately HK\$166.1 million (31 March 2022: approximately HK\$337.2 million) which bore interest at fixed interest rates, the remaining bank borrowings of approximately HK\$1,380.0 million (31 March 2022: approximately HK\$1,054.5 million) bore interest at floating interest rates. As at 31 March 2022, a loan from a subsidiary of Wang On Group Limited ("Wang On", Stock Code: 1222) of HK\$70.0 million bore interest at fixed interest rate.

	At 30 September 2022		At 31 March 2022	
	<i>HK\$ million</i>	Approximate effective interest rate	<i>HK\$ million</i>	Approximate effective interest rate
Unsecured Notes	207	11%	219	11%
Financial institution borrowings	1,546	4%	1,392	4%
A subsidiary of Wang On	—	—	70	10%
Total	<u>1,753</u>		<u>1,681</u>	

As at 30 September 2022, the Unsecured Notes issued by CAP will mature in September 2024; and the financial institution borrowings of the Group will mature during the period from November 2022 to May 2029. On 3 May 2022, a subsidiary of Wang On entered into a revolving loan facility agreement with CAP 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 loan from a subsidiary of Wang On of HK\$70.0 million was fully repaid in August 2022.

The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.7 (31 March 2022: approximately 1.5). 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 51.1% (31 March 2022: approximately 45.3%). The Group always adopts a conservative approach in its financial management.

Significant Investments Held

As at 30 September 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\$143.7 million and approximately HK\$46.0 million respectively, details of which were set out as follows:

Name of Investments	As at 30 September 2022		For the six months ended 30 September 2022			Fair value/carrying amount		
	Amount	Percentage	Fair	Interest	Dividends	As at 30	As at 31	Investment
	held	to Group's	value gain/	income	received	September	March	
	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000	2022	2022	costs
			(loss)			HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through other comprehensive income:								
A. Equity investments								
Wang On	101,288	2.87	(18,884)	-	-	101,288	120,172	81,506
Others	31,057	0.88	4,103	-	79	31,057	26,954	55,601
B. Debt investments	11,387	0.32	(5,878)	1,026	-	11,387	19,839	43,018
Sub-total	143,732	4.07	(20,659)	1,026	79	143,732	166,965	180,125
Financial assets at fair value through profit or loss:								
A. Unlisted funds	42,985	1.22	(4,084)	28	1,192	42,985	99,644	96,750
B. Others	2,980	0.08	(7,070)	-	-	2,980	10,096	5,470
Sub-total	45,965	1.30	(11,154)	28	1,192	45,965	109,740	102,220
Total	189,697	5.37	(31,813)	1,054	1,271	189,697	276,705	282,345

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, property development and asset management 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 67.26%-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 30 September 2022, the Group is interested in 1,716,749,000 shares in Wang On, representing approximately 10.74% of all its issued shares.

(b) Save as disclosed above, the Group also invested in other equity securities and bonds, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 30 September 2022.

(c) Save as disclosed above, the Group also invested in 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 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 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 generate a stable income.

As at 30 September 2022, the fair value of the Group's investment in bonds and equity securities amounted to approximately HK\$11.4 million (31 March 2022: approximately HK\$19.8 million) and approximately HK\$132.3 million (31 March 2022: approximately HK\$147.1 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\$20.7 million in the other comprehensive income for the Period (six months ended 30 September 2021: net loss of approximately HK\$7.2 million).

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

As at 30 September 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\$11.2 million for the Period (six months ended 30 September 2021: net loss of approximately HK\$5.3 million).

Foreign Exchange

The Board is of the opinion that the Group has material foreign exchange exposure in RMB. All the 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 the PRC. The RMB exposure of the Group is mainly derived from currency translation risk arising from the net assets of our PRC 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 loss of approximately HK\$369.9 million (six months ended 30 September 2021: gain of approximately HK\$61.6 million). The re-translation loss/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 fixed deposits, equity securities, debt investments and unlisted funds to maximise assets efficiency.

Capital Commitment

As at 30 September 2022, the Group had capital commitment of approximately HK\$213.5 million (31 March 2022: approximately HK\$272.9 million) in respect of the acquisition of property, plant and equipment and payments of 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 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 and pledged deposits, with a total carrying value of approximately HK\$2,710.5 million (31 March 2022: approximately HK\$2,926.4 million).

Financial Guarantee

As at 30 September 2022, the Group provided guarantees of approximately HK\$41.0 million (31 March 2022: 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. 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.

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 the PRC and Hong Kong. The key civil proceedings in the PRC and Hong Kong in respect of the Baisazhou Acquisition are set out below:

In the PRC, 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 revokes 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 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 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 Jiangnan District People’s Procuratorate against the former director of Baisazhou Agricultural, Mr. Zhou Jiu Ming (“Mr. Zhou”)

According to the judgement of Hubei Wuhan Jiangnan District People’s Court (“**Jiangnan Court**”) dated 19 November 2021 (the “**19 November Judgement**”), the former director of Baisazhou Agricultural, Mr. Zhou, 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 Jiangnan District People’s Procuratorate commenced prosecution against Mr. Zhou for a penalty. Jiangnan 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.

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

EVENTS AFTER REPORTING PERIOD

- (a) On 1 October 2022, CAP and Wang On entered into a master licensing agreement which sets out the general principles and key terms governing the definitive licensing agreements under which relevant members of Wang On may grant license of, and the CAP Group may take up the license of the premises from 1 October 2022 to 30 September 2025. Details were disclosed in the joint announcement of the Company, CAP and Wang On dated 1 October 2022.
- (b) On 3 October 2022, 13 October 2022 and 21 October 2022, CAP further repurchased part of the Unsecured Notes in an aggregate principal amount of HK\$70.0 million of the outstanding Unsecured Notes (the “**Repurchased Notes**”) via open market, representing approximately 17.5%, and together with Unsecured Notes previously repurchased and cancelled, representing approximately 52.5% of the aggregate principal amount of the Unsecured Notes originally issued. The repurchases were funded by internal resources. Details of the repurchases were disclosed in the announcements dated 13 October 2022 and 21 October 2022 issued by CAP.

After cancellation of the Repurchased Notes and as at the date of this announcement, the aggregate principal amount of the Unsecured Notes remaining outstanding was HK\$190.0 million.

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 2022, the Group had 1,928 (31 March 2022: 1,872) employees, of whom approximately 35.2% (31 March 2022: approximately 34.4%) were located in Hong Kong and Macau and the rest were located in the PRC. 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. In addition to the Company’s existing share option scheme, CAP has in August 2022 adopted a share option scheme to incentivise eligible participants under such scheme to reward and encourage them to work towards enhancing the value of CAP. 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.

PROSPECTS

2022 is 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 recent adverse financial conditions may have some dampening effect on consumer sentiment and spending. Yet, as the local epidemic situation was largely under control, and the gradual opening of borders to overseas travelers, the overall economic situation showed positive signs of stabilisation and possible increment during the Period.

Chinese and Western Pharmaceutical and Health Food Products

Looking forward, the Group will expand its market share by opening more retail outlets, either self-operated or by franchise, in the PRC, Hong Kong and Macau. The national policy for the development of 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 in anticipation of the first Chinese Medicine Hospital commencing service as of 2025. Furthermore, the Group enjoyed a satisfactory online sales growth in 2021–2022. The business development trend is on track, the Group will strengthen new product development process and new sales platform particularly in the online platform.

Regarding Western pharmaceutical and health food products business, the Group expects a positive growth resulted in the effective sale of “Madame Pearl's” cough syrup to the retail outlets, clinics and private hospitals in Hong Kong and through distributors to be sold to the PRC. Simultaneously, the Group will diversify the business by grasping opportunity of launching more unique health supplements with curative effect, under the brand name of “Madame Pearl's”, with a view to further fulfill the market needs. The Group will also strengthen on cross-border e-commerce to reach consumers in the Guangdong-Hong Kong-Macau Greater Bay Area and the 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 the 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 COVID-19, all of the CAP Group's 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 its operation cost; on the other side, this raised its competitive edges against many local and less-sophisticated competitors. Following the easing of the pandemic situation during the Period, this helped the CAP Group not only restored to normal operating level, but better adapted to the post-pandemic market environment.

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 vows to promote investments in agricultural produce markets, expand the agricultural produce network, build logistic infrastructure and storage facilities for 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 pursuing an "asset light" strategy to cooperate with different partners and explore electronic platform development in order to capture opportunity of technology advancement in which the PRC government promotes data economy. 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 the Company and its shareholders as a whole.

OTHER SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, there was no significant investment held, nor was there any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period. As at 30 September 2022, the Group did not have any concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries, associates and joint ventures.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company repurchased a total of 27 million shares of HK\$0.01 each of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company on 27 September 2022.

Details of the share repurchases during the Period are as follows:

Month of repurchase	Number of share repurchased <i>(in million)</i>	Purchase price per share		Aggregate amount <i>(in million)</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
September 2022	<u>27.0</u>	0.38	0.36	<u>9.96</u>
	<u><u>27.0</u></u>			<u><u>9.96</u></u>

The repurchases of the Company's shares during the Period were made pursuant to the mandate granted by the shareholders of the Company (the "Shareholder(s)") at the 2022 annual general meeting of the Company held on 26 August 2022, with a view to benefiting the Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. As at 30 September 2022 and up to the date of this announcement, the total number of shares of the Company in issue was 1,204,642,888 shares.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

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 Period, except for the following deviation:

Code provision C.2.1

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 Period, 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 and 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.

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 information of the Group for the six months ended 30 September 2022. 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 the Stock Exchange at (www.hkexnews.hk) and the Company at (www.wyth.net). The 2022 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 25 November 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*