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 2019

Interim Financial Highlights

	Six months ended 30 September		
	2019	2018	**Change**
	(Unaudited)	(Unaudited)	
Revenue *(HK$ in million)*	**281.6**	343.6	(62.0)
Gross profit *(HK$ in million)*	**112.5**	136.5	(24.0)
Net profit attributable to owners of the parent *(HK$ in million)*	**32.2**	40.4	(8.2)
Earnings per share *(HK cents)* – Basic and diluted	**2.6**	3.2	(0.6)
	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)	
Net asset value *(HK$ in million)*	**2,457.8**	2,448.1	9.7
Cash and cash equivalents *(HK$ in million)*	**106.9**	171.2	(64.3)
Gearing ratio	**33.2%**	27.9%	5.3%

INTERIM RESULTS

The board of directors (the "**Board**" or the "**Director(s)**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**281,642**	343,592
Cost of sales		**(169,094)**	(207,086)
Gross profit		**112,548**	136,506
Other income and gains, net	4	**123,475**	62,306
Selling and distribution expenses		**(114,001)**	(140,495)
Administrative expenses		**(66,664)**	(73,320)
Reversal of impairment losses/(impairment losses) on financial assets, net		**6,622**	(3,847)
Other expenses		**(2,211)**	–
Finance costs	6	**(19,251)**	(14,088)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**202**	(70)
Fair value gains/(losses) on investment properties, net		**(16,900)**	11,800
Share of profits and losses of associates		**8,739**	61,412
PROFIT BEFORE TAX	5	**32,559**	40,204
Income tax expense	7	**(468)**	–
PROFIT FOR THE PERIOD		**32,091**	40,204
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		**6,103**	(6,619)
Reclassification adjustments for gains included in profit or loss:			
Reversal of impairment losses		**(6,966)**	–
Release of reserves upon disposal of financial assets		**(5,361)**	–
Share of other comprehensive loss of associates		**(5,431)**	(29,695)
Translation reserve:			
Translation of foreign operations		**5,176**	(13,449)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(6,479)**	(49,763)

	Note	Six months ended 30 September **2019** **(Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of an associate		**(673)**	–
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**(12,101)**	(35,271)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(12,774)**	(35,271)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(19,253)**	(85,034)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**12,838**	(44,830)
Profit attributable to:			
Owners of the parent		**32,213**	40,386
Non-controlling interests		**(122)**	(182)
		32,091	40,204
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		**11,606**	(44,648)
Non-controlling interests		**1,232**	(182)
		12,838	(44,830)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**HK2.62 cents**	HK3.19 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019

	Notes	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,041,312**	957,323
Investment properties		**430,300**	558,000
Net investments in subleases		**12,689**	–
Investments in associates		**332,220**	329,584
Financial assets at fair value through other comprehensive income		**112,232**	228,623
Deposits	12	**11,839**	21,702
Deferred tax assets		**10,122**	10,122
Total non-current assets		**1,950,714**	2,105,354
CURRENT ASSETS			
Inventories		**201,084**	161,508
Trade receivables	10	**76,393**	92,210
Interests receivables	11	**19,167**	24,031
Prepayments, deposits and other receivables	12	**77,144**	46,298
Net investments in subleases		**6,779**	–
Financial assets at fair value through other comprehensive income		**618,641**	710,788
Financial assets at fair value through profit or loss		**60,588**	21,289
Tax recoverable		**4,539**	1,157
Restricted bank balances		**532,000**	–
Bank balances and cash		**106,931**	171,209
		1,703,266	1,228,490
Assets classified as held for sale		**–**	120,826
Total current assets		**1,703,266**	1,349,316

	Note	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
CURRENT LIABILITIES			
Trade payables	13	**32,553**	35,959
Other payables and accruals	14	**84,024**	107,839
Lease liabilities		**69,004**	–
Interest-bearing bank borrowings		**437,290**	232,290
Tax payable		**2,871**	4,896
		625,742	380,984
Liabilities directly associated with the assets classified as held for sale		**–**	361
Total current liabilities		**625,742**	381,345
NET CURRENT ASSETS		**1,077,524**	967,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,028,238**	3,073,325
NON-CURRENT LIABILITIES			
Other payables	14	**3,677**	1,883
Lease liabilities		**79,013**	–
Interest-bearing bank borrowings		**484,324**	619,937
Deferred tax liabilities		**3,377**	3,416
Total non-current liabilities		**570,391**	625,236
NET ASSETS		**2,457,847**	2,448,089
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**12,316**	12,316
Reserves		**2,440,328**	2,431,802
		2,452,644	2,444,118
Non-controlling interests		**5,203**	3,971
TOTAL EQUITY		**2,457,847**	2,448,089

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2019

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have 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 statements do 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 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 April 2019.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and presented separately in the condensed consolidated statement of financial position.

The right-of-use assets for all leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. As at the date of initial adoption, impairment loss on right-of-use assets of HK$3,080,000 was recognised in accumulated losses. The Group elected to include the right-of-use assets in property, plant and equipment in the condensed consolidated statement of financial position.

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

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

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

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

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) (Unaudited) *HK$'000*
ASSETS	
Property, plant and equipment	103,245
Net investments in subleases	22,790
Prepayments, deposits and other receivables	(729)
Total assets	125,306
LIABILITIES	
Lease liabilities	130,386
Other payables and accruals	(2,000)
Total liabilities	128,386
EQUITY	
Accumulated losses	(3,080)

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

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 March 2019	132,740
Weighted average incremental borrowing rate as at 1 April 2019	3.2%
Discounted operating lease commitments as at 1 April 2019	119,963
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(7,684)
Add: Payments for optional extension periods not recognised as at 31 March 2019	18,107
Lease liabilities as at 1 April 2019	130,386

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The Group determines at the commencement date the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Subleases

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's unaudited interim condensed consolidated financial statements.

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

Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

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

3. OPERATING SEGMENT INFORMATION

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

(a) production and sale of Chinese pharmaceutical and health food products – manufacturing, 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 the People's Republic of China (the "**PRC**") 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 name of "Madame Pearl's" and "Pearl's", respectively; and

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

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 gains/(losses) on financial assets at fair value through profit or loss, net, head office and corporate income and expenses and share of profits and losses of associates are excluded from such measurement.

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

Six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		**Production and sale of Western pharmaceutical and health food products**		**Property investment**		**Eliminations**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sale to external customers	**222,278**	280,958	**54,223**	55,088	**5,141**	7,546	**–**	–	**281,642**	343,592
Intersegment sales	**24**	–	**–**	–	**6,711**	6,738	**(6,735)**	(6,738)	**–**	–
Total	**222,302**	280,958	**54,223**	55,088	**11,852**	14,284	**(6,735)**	(6,738)	**281,642**	343,592
Segment results	**(51,590)**	(21,579)	**(12,692)**	(37,236)	**(9,224)**	14,192			**(73,506)**	(44,623)
Other income and gains, net									**123,475**	62,306
Unallocated expenses									**(7,100)**	(24,733)
Finance costs									**(19,251)**	(14,088)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net									**202**	(70)
Share of profits and losses of associates									**8,739**	61,412
Profit before tax									**32,559**	40,204
Income tax expense									**(468)**	–
Profit for the period									**32,091**	40,204

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Revenue from contracts with customers		
Sale of goods	**276,023**	335,420
Management and promotion services	**478**	626
Revenue from other sources		
Rental income from investment properties	**5,141**	7,546
	281,642	343,592

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2019

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

For the six months ended 30 September 2018

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*	Total (Unaudited) *HK$'000*
Type of goods or services			
Sale of goods	280,332	55,088	335,420
Management and promotion services	626	–	626
Total revenue from contracts with customers	280,958	55,088	336,046
Geographical markets			
Hong Kong	232,773	13,539	246,312
Mainland China	36,604	36,576	73,180
Macau	10,443	3,298	13,741
Others	1,138	1,675	2,813
Total revenue from contracts with customers	280,958	55,088	336,046
Timing of revenue recognition			
Goods transferred at a point in time	280,332	55,088	335,420
Services transferred over time	626	–	626
Total revenue from contracts with customers	280,958	55,088	336,046

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 2019

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***	**Total (Unaudited)** ***HK$'000***
Revenue from contracts with customers			
External customers	**222,278**	**54,223**	**276,501**
Intersegment sales	**24**	**–**	**24**
Segment sales	**222,302**	**54,223**	**276,525**
Intersegment adjustments and eliminations	**(24)**	**–**	**(24)**
Total revenue from contracts with customers	**222,278**	**54,223**	**276,501**

For the six months ended 30 September 2018

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*	Total (Unaudited) *HK$'000*
Revenue from contracts with customers			
External customers	280,958	55,088	336,046
Intersegment sales	–	–	–
Segment sales	280,958	55,088	336,046
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	280,958	55,088	336,046

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Interest income on a loan receivable from an associate	**–**	3,189
Interest income on financial assets at fair value through profit or loss	**943**	–
Interest income on financial assets at fair value through other comprehensive income	**45,272**	48,496
Interest income on bank deposits	**447**	286
Interest income on net investments in subleases	**365**	–
Dividends from financial assets at fair value through other comprehensive income	**3,704**	2,722
Sub-lease rental income	**3,899**	4,852
Others	**4,743**	2,038
	59,373	61,583
Gains/(losses), net		
Gain on disposal of items of property, plant and equipment	**56,403**	–
Gain on disposal of an investment property	**7,527**	–
Loss on disposal of subsidiaries	**(2,548)**	–
Gain on disposal of debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss, net	**463**	–
Exchange gains, net	**2,257**	723
	64,102	723
Other income and gains, net	**123,475**	62,306

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**169,094**	207,086
Depreciation of property, plant and equipment	**26,869**	28,663
Depreciation of right-of-use assets	**28,514**	–
Foreign exchange differences, net	**(2,257)**	(723)
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Impairment losses of trade receivables, net	**563**	3,847
Reversal of impairment losses of debt investments at fair value through other comprehensive income, net	**(6,966)**	–
Reversal of impairment losses of interests receivables, net	**(219)**	–
Gross rental income	**(5,141)**	(7,546)
Less: direct outgoing expenses	**151**	215
	(4,990)	(7,331)
Gain on disposal of items of property, plant and equipment	**(56,403)**	–
Gain on disposal of an investment property	**(7,527)**	–
Loss on disposal of subsidiaries	**2,548**	–
Impairment losses on property plant and equipment*	**2,211**	–
Write off of property, plant and equipment	**–**	126
Gain on bargain purchase of additional equity interests in an associate**	**–**	(43,917)

* Impairment losses on property, plant and equipment are included in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

** Gain on bargain purchase of additional interests in an associate is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**16,585**	14,088
Interest on lease liabilities	**2,666**	–
	19,251	14,088

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made in prior year as the Group did not generate any assessable profit arising in Hong Kong. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**500**	–
Deferred tax credit	**(32)**	–
Total tax charge for the period	**468**	–

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2019 and 2018 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amount presented.

The calculations of basic and diluted earnings per share amount are based on:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit		
Profit attributable to ordinary equity holders of the parent, used in basic and diluted earnings per share calculation	**32,213**	40,386

	Number of shares	
	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue	**1,231,642,888**	1,265,142,888
Less: Weighted average number of treasury shares	**–**	(317,000)
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,231,642,888**	1,264,825,888

10. TRADE RECEIVABLES

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Trade receivables	**82,014**	97,323
Less: Accumulated impairment	**(5,621)**	(5,113)
	76,393	92,210

The Group's trading terms with its retail customers are mainly cash on delivery whereas the trading terms with wholesale 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$18,671,000 (31 March 2019: HK$13,871,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Within 1 month	**36,206**	46,305
1 to 3 months	**15,969**	29,108
3 to 6 months	**10,621**	13,173
Over 6 months	**13,597**	3,624
	76,393	92,210

11. INTERESTS RECEIVABLES

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Interests receivables	**22,411**	27,494
Less: Impairment allowance	**(3,244)**	(3,463)
	19,167	24,031

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Prepayments	**22,201**	13,419
Deposits paid for the acquisition of property, plant and equipment	**2,367**	3,499
Rental and other deposits	**45,567**	32,840
Other receivables	**15,526**	14,844
Right-of-return assets	**3,322**	3,398
	88,983	68,000
Less: Deposits classified as non-current assets	**(11,839)**	(21,702)
Portion classified as current assets	**77,144**	46,298

13. TRADE PAYABLES

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Trade payables	**32,553**	35,959

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

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Within 1 month	**14,432**	14,923
1 to 3 months	**15,168**	6,547
3 to 6 months	**1,381**	7,608
Over 6 months	**1,572**	6,881
	32,553	35,959

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

14. OTHER PAYABLES AND ACCRUALS

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Receipts in advance	**156**	10,398
Rental deposits received	**3,680**	4,588
Contract liabilities	**6,305**	7,098
Refund liabilities	**6,094**	6,089
Other payables	**19,152**	22,808
Accruals	**52,314**	58,741
	87,701	109,722
Less: Portion classified as non-current liabilities	**(3,677)**	(1,883)
Portion classified as current liabilities	**84,024**	107,839

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2019 (the "**Period**"), the Group recorded a revenue of HK$281.6 million (2018: HK$343.6 million), decreases of 18% against the same period of 2018. The decline was primarily due to the significant decrease in revenue from Chinese Pharmaceutical and Health Food Products segment of HK$58.7 million which was deeply affected by the economic uncertainty and weak consumer sentiment. As a result of the decline in revenue, the profit attributable to owners of the parent retreated to HK$32.2 million, representing a decrease of HK$8.2 million or 20% as compared to the corresponding period of last year. The retreat in net profit is offset by the net gains on the disposal of property, plant and equipment, an investment property and subsidiaries amounted to HK$61.4 million.

BUSINESS REVIEW

(1) Chinese Pharmaceutical and Health Food Products

According to the latest retail sales figures released by the Census and Statistics Department on 1 November 2019, the provisional estimate for the value of total retail sales for the first nine months of 2019 decreased by 7.3% compared with the same period in 2018. The continuous social incidents took a heavy toll on inbound tourism and consumption-related activities. The subdued economic outlook also dampened consumer sentiment. Under these adverse conditions, revenue of the Chinese pharmaceutical and health food products decreased by HK$58.7 million or 21% against the same period of 2018.

As the recent public activities continue to deter tourist visits and reduce local consumption, the sales of the Chinese pharmaceutical and health food products through retail outlets was severe hammered especially in tourist area. In the past, travelers came to Hong Kong for quality medicinal products. As the visitors arrivals to Hong Kong kept decreasing, the sales of quality medicinal products also dropped sharply. These social incidents may last for a period and the performance of retail sales is likely to stay weak in the near term. By the end of the Period, we had over 60 retail outlets in Hong Kong. We keep close monitoring the performance of our retail sales network and optimise profitability through restructuring and integration of retail outlets.

"Wai Yuen Tong" is a century-old well-established brand with the aspiration of "Preparing Medicine with Dedication, Growing Strong with Reputation" which provides quality products and services to the public. The Group has developed a series of traditional Chinese medicine ("**TCM**") healthcare products for common diseases of urban people such as Angong Sanbao (安宮三寶): Angong Niuhuang Wan (安宮牛黃丸), Angong Jiangya Wan (安宮降壓丸), Angong Zaizao Wan (安宮再造丸) which are gatekeepers of cardiovascular health of the public based on the overall concept of emergency-prevention-rehabilitation. Despite the weak consumer sentiment and subdued economic conditions, the sales of TCM healthcare products during the Period maintained at the similar level as the same period of last year. As the demand remains, we will focus on the promotion of TCM healthcare products.

Due to the social conditions uncertainty in Hong Kong, the Group will speed up exploring the mainland and Macau market in order to broaden the distribution network and help strengthen the Group's sales and brand recognition. Also, continuous investment will be made in the development of online shopping platform in order to enhance efficiency and improve services which can attract more young customers.

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

(2) Western Pharmaceutical and Health Food Products

Although the consumer sentiment stayed weak, revenue of the Western pharmaceutical and health food products only decreased by 1.6% to HK$54.2 million. There are two major product series, namely "Madame Pearl's" and "Pearl's" under this business segment.

Last year, the segment's prime product – cough syrup – under the Madame Pearl's brand was affected by the relocation of production facilities to the Group's new GMP/PIC/S plant in Yuen Long which led to the decline in production volume of Madame Pearl's cough syrup. As the relocation of production was completed by the end of 2018, the production volume of Madame Pearl's cough syrup start picking up in 2019. In order to better utilise the increased production capacity, we started supplying local clinics. The increase in sales of cough syrup through this new channel offset the decline in revenue from selling cough syrup to key accounts in Hong Kong caused by weak consumption sentiment.

The Pearl's product series, which comprises MosquitOut spray, patch, bracelet and itching relief products, faced with severe price competition. Despite a highly competitive market environment, Pearl's MosquitOut remained as a leading brand in this product category.

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

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

(3) Property Investment

At the end of the reporting period, the Group owned 10 properties which are all retail properties. Majority of those properties were self-use as the retail shops. The net fair value loss on investment properties amounted to HK$16.9 million (six months ended 30 September 2018: fair value gain of HK$11.8 million).

During the Period, the Group completed the sales of five properties, the retail shops at Hip Wo Street, Kwun Tong, Sai Yeung Choi Street South, Mong Kok, To Kwa Wan Road, To Kwa Wan, Shau Kei Wan Road, Sai Wan Ho and Jade Plaza, Tai Po. The gain from these five properties disposals amounted to HK$61.4 million was recognised.

(4) Investment in Easy One Financial Group Limited (“Easy One”)

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

As at 30 September 2019, the Group held 29.06% (31 March 2019: 29.06%) of the issued share capital of Easy One. Easy One is an associate of the Group. The Group’s share of profit of Easy One during the Period amounted to HK$8.9 million (six months ended 30 September 2018: HK$61.6 million). Last period figure included a gain on bargain purchase of additional equity interests of Easy One of HK$43.9 million.

(5) Investment in China Agri-Products Exchange Limited (“CAP”)

CAP (Stock Code: 149), a company listed on the Main Board of the Stock Exchange, is principally engaged in the management and sales of properties in agricultural produce exchange markets in mainland China.

The Group subscribed in 2014 and acquired in 2016 for the unlisted 5-year bond due November 2019 with coupon rate of 10.0% per annum issued by CAP in 2014 (the "**2019 CAP Bonds**"). During the Period, CAP early repaid a principal amount of HK$79.0 million to the Group. As at 30 September 2019, the remaining principal amount held by the Group was HK$621.0 million (31 March 2019: HK$700.0 million).

The investment in 2019 CAP Bonds was classified as financial assets at fair value through other comprehensive income. Accordingly, change in fair value of 2019 CAP Bond was charged to other comprehensive income of the Group.

On 26 September 2019, Goal Success Investments Limited, an indirect wholly-owned subsidiary of the Company (the "**Offeror**") announced that Kingston Securities Limited, on behalf of the Offeror, will (subject to the satisfaction of certain pre-conditions):

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

(b) extend an appropriate offer to acquire a maximum of 54.83% of the outstanding principal amount of the 7.5% convertible note(s) due 2021 issued by CAP on 19 October 2016 (the "**CN**") (subject to adjustment in the event of a change in the issued share capital of CAP) at the partial CN offer price of HK$0.2275 for each outstanding HK$1 face value of the CN,

items (a) and (b) above, collectively the ("**Partial Offers**").

The maximum total cash consideration payable by the Offeror under the Partial Offers will amount to approximately HK$529.6 million.

On 26 September 2019, CAP and Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional loan agreement, pursuant to which Winning Rich will grant the loan to CAP in the principal amount up to HK$621.0 million for a term of three years for the purpose of refinancing the outstanding indebtedness of CAP owed to Winning Rich under the 2019 CAP Bonds.

(6) Financial Assets at Fair Value through Other Comprehensive Income and Financial Assets at Fair Value through Profit or Loss

The Group has maintained a portfolio of listed equity investments, debt investments and unlisted funds which are held for long term investment purpose aiming to generating a stable income.

The equity investments are investments in companies listed on the Stock Exchange and were irrevocably designated at fair value through other comprehensive income as the

Group considers these investments to be strategic in nature. The fair value of equity investments at 30 September 2019 was HK$75.3 million (31 March 2019: HK$87.4 million). During the Period, the Group had recorded a net loss on change in fair value of equity investments at fair value through other comprehensive income of HK$12.1 million (six months ended 30 September 2018: HK$35.3 million).

The debt investments (excluding the 2019 CAP Bonds) are investments in listed bonds. The Group decreased the investments in listed bonds by HK$147.6 million which carried annual interest rates ranging from 5.375% to 15.500%. The fair value of investments in listed bonds of HK$36.9 million (31 March 2019: HK$165.1 million) was designated at fair value through other comprehensive income and there was no investment in listed perpetual bonds classified as debt investment at fair value through profit or loss (31 March 2019: HK$19.4 million). During the Period, the Group recorded a net loss on change in fair value of debt investments (excluding the 2019 CAP Bonds) at fair value through other comprehensive income of HK$2.9 million (six months ended 30 September 2018: Nil).

The Group increased the investments in unlisted funds by HK$58.5 million during the Period. The fair value of investments in unlisted funds of HK$60.6 million (31 March 2019: HK$1.9 million) was recognised at financial assets at fair value through profit or loss.

FINANCIAL REVIEW

(1) Liquidity and Gearing and Financial Resources

As at 30 September 2019, the Group had total assets of HK$3,653.9 million (31 March 2019: HK$3,454.6 million) which were financed by current liabilities of HK$625.7 million (31 March 2019: HK$381.3 million), non-current liabilities of HK$570.4 million (31 March 2019: HK$625.2 million) and shareholders' equity of HK$2,457.8 million (31 March 2019: HK$2,448.1 million).

As at 30 September 2019, the Group's bank balances and cash were HK$106.9 million (31 March 2019: HK$171.2 million).

As at 30 September 2019, the Group's total bank borrowings amounted to HK$921.6 million (31 March 2019: HK$852.2 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars.

	At 30 September 2019		At 31 March 2019	
	HK$' million	***% of Total***	*HK$' million*	*% of Total*
Bank loans repayable:				
Within one year	**437.3**	**47.5%**	232.3	27.3%
In the second year	**47.3**	**5.1%**	44.8	5.3%
In the third to fifth years, inclusive	**172.0**	**18.7%**	164.4	19.3%
Beyond five years	**265.0**	**28.7%**	410.7	48.1%
Total	**921.6**	**100%**	852.2	100%

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was 2.7 (31 March 2019: 3.5). The gearing ratio, being the ratio of total borrowings net of bank balances and cash to equity attributable to owners of the parent, was 33.2% (31 March 2019: 27.9%). The Group always adopts a conservative approach in its financial management.

(2) Significant Investments Held

As at 30 September 2019, the Group had financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of HK$730.9 million and HK$60.6 million respectively, details of which were set out as follows:

Name of Investments	As at 30 September 2019 Number of shares held	As at 30 September 2019 Amount held	As at 30 September 2019 Percentage to shareholding in such stock	As at 30 September 2019 Percentage to Group's net assets	For the six months ended 30 September 2019 Fair value gain/(loss)	For the six months ended 30 September 2019 Bond interest income	For the six months ended 30 September 2019 Dividends received	Fair value/carrying amount As at 30 September 2019	Fair value/carrying amount As at 31 March 2019	Investment costs
	'000	*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 Group Limited ("**Wang On**")	423,000	37,224	2.43	1.51	(2,115)	–	3,553	37,224	39,339	16,819
Others		38,063		1.55	(9,986)	–	151	38,063	48,049	56,603
B. Debt investments										
2019 CAP Bonds		618,641		25.17	9,008	35,470	–	618,641	686,877	621,000
Others		36,945		1.50	(2,905)	9,802	–	36,945	165,146	39,850
Sub-total		730,873		29.73	(5,998)	45,272	3,704	730,873	939,411	734,272
Financial assets at fair value through profit or loss:										
A. Unlisted funds										
Rockpool Capital SPC ("**Rockpool**")		58,685		2.39	185	–	–	58,685	–	58,500
Mutual funds		1,903		0.08	17	–	–	1,903	1,886	1,614
B. Listed perpetual bonds		–		–	–	943	–	–	19,403	–
Sub-total		60,588		2.47	202	943	–	60,588	21,289	60,114
Total		791,461		32.20	5,796	46,215	3,704	791,461	960,700	794,386

The principal activities of the securities are as follows:

(a) ***Wang On***

Wang On (Stock Code: 1222), a company listed on the Main Board of the Stock Exchange, is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets, treasury management and production and sale of pharmaceutical products in Hong Kong and mainland China.

(b) ***Rockpool***

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

(c) Save as disclosed above, the Group also invested in other listed equity securities and listed bond investments in Hong Kong. The fair value of each of which represented less than 1.00% of the net assets of the Group as at 30 September 2019.

(d) Save as disclosed above, the Group also invested in other mutual funds, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 30 September 2019.

(3) Financial Review and Prospect of Significant Investments Held

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

Financial assets at fair value through other comprehensive income include 2019 CAP Bonds, listed equity securities and other 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 2019, the Group held the 2019 CAP Bonds in the principal amount of HK$621.0 million (31 March 2019: HK$700.0 million). As at 30 September 2019, the fair value of the 2019 CAP Bonds amounted to HK$618.6 million (31 March 2019: HK$686.9 million).

For the acquisition of equity interests of CAP, the Group decreased the investment in bonds by HK$147.6 million, HK$128.2 million of which was recognised at financial assets at fair value through other comprehensive income while the remaining was recognised at financial assets at fair value through profit or loss. As at 30 September 2019, the fair value of the bond portfolio (excluding the 2019 CAP Bonds) amounted to HK$36.9 million (31 March 2019: HK$165.1 million).

As at 30 September 2019, the fair value of the Group's investment in listed equity securities amounted to HK$75.3 million (31 March 2019: HK$87.4 million).

The Group recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of HK$6.0 million for the Period (six months ended 30 September 2018: loss of HK$41.9 million).

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

As at 30 September 2019, the Group maintained an investment portfolio of unlisted mutual funds and other fund. 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 recorded a net gain on change in fair value of financial assets at fair value through profit or loss of HK$0.2 million for the Period (six months ended 30 September 2018: a net loss of HK$0.1 million).

(4) Foreign Exchange

The Board is of the opinion that the Group has no material foreign exchange exposure and thus does not engage in any hedging activities. All bank borrowings are denominated in Hong Kong dollars. The revenue of the Group, mostly denominated in Hong Kong dollars, matches the currency requirements of the Group's operating expenses.

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 the Group's mainland China subsidiaries. The gain on translation of foreign operations was HK$5.2 million (six months ended 30 September 2018: loss of HK$13.5 million).

(5) Capital Commitment

As at 30 September 2019, the Group had capital commitment of HK$531.6 million (31 March 2019: HK$2.5 million) in respect of the acquisition of property, plant and equipment which were contracted for but not provided for in the unaudited interim condensed consolidated financial statements and possible acquisition of 54.83% equity interest in CAP and 54.83% of the outstanding convertible notes issued by CAP.

(6) Pledge of Assets

As at 30 September 2019, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of HK$738.9 million (31 March 2019: HK$1,010.0 million).

(7) Contingent Liabilities

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

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

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

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 2019, the Group had 667 (31 March 2019: 685) employees, of whom 80.0% (31 March 2019: 78.8%) were located in Hong Kong and the rest were located in mainland China. The Group remunerated its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options would also be granted to selected staff by reference to the Group's performance as well as the individual's performance. The Group also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Other benefits such as medical and retirement benefits and structured training programs were also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

Besides, the Group understands that it is important to maintain good relationship with its employees, business partners, suppliers, customers, shareholders, investors and bankers (the "**stakeholders**") 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

Looking forward, we anticipate that slower economic growth, market uncertainty and industry policies will continue to negatively impact our performance. Retail sales in Hong Kong will likely remain in the doldrums in the near term, as the worsened economic outlook and the recent public activities continue to weigh on consumer sentiment and inbound tourism. Facing this challenging environment, we will closely monitor the performance of our distribution channels and retail network in order to maintain competitive advantage through restructuring and integration of retail outlets.

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

For Macau market, the Group aims to open new retail outlets in order to strengthen the retail network. We will enhance the distribution channel by partnering with distributors there which will focus on distributing our products to the key accounts in Macau.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code provision A.2.1

Mr. Tang Ching Ho, the chairman of the Board, also assumed the role of managing Director after the re-designation of Mr. Chan Chun Hong, Thomas to executive Director with effect from 1 April 2018 which deviates from code provision A.2.1 of the CG Code. Mr. Tang has extensive management experience in corporate management and is responsible for overall corporate planning, strategic policy making of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises four executive Directors and four independent non-executive Directors with balance of skill and experience appropriate for the Group's further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group and its shareholders as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 of the Group. The Audit Committee comprises the four independent non-executive Directors, namely Messrs. Li, Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (www.hkexnews.hk) and the Company at (www.wyth.net). The 2019 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, 21 November 2019

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

* *For identification purpose only*