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**WAI YUEN TONG MEDICINE HOLDINGS LIMITED**  
**(位元堂藥業控股有限公司\*)**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 897)**

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**ANNUAL FINANCIAL HIGHLIGHTS**

<i>HK\$ million</i>	<b>FY2023</b>	<b>FY2022</b>	<b>YoY change</b>
Revenue	<b>1,286.4</b>	1,391.4	<b>(7.5)%</b>
Gross profit	<b>611.8</b>	570.4	<b>7.3%</b>
Loss attributable to owners of the parent	<b>(20.5)</b>	(108.9)	<b>81.2%</b>
Loss per share ( <i>HK cents</i> ) – Basic and diluted	<b>(1.69)</b>	(8.84)	<b>7.15</b>
	<b>As at 31 March 2023</b>	<b>As at 31 March 2022</b>	
Net assets value	<b>3,688.4</b>	3,960.6	<b>(6.9)%</b>
Cash and cash equivalents	<b>525.9</b>	510.1	<b>3.1%</b>
Gearing ratio	<b>46.3%</b>	45.3%	<b>1.0%</b>

## RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the previous financial year, as follows:

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

*Year ended 31 March 2023*

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>1,286,428</b>	1,391,411
Cost of sales		<u>(674,651)</u>	<u>(821,021)</u>
Gross profit		<b>611,777</b>	570,390
Other income and gains, net	4	<b>83,159</b>	144,869
Selling and distribution expenses		<b>(270,945)</b>	(246,127)
Administrative expenses		<b>(266,167)</b>	(253,068)
Impairment losses on financial assets, net		<b>(16,735)</b>	(12,875)
Other expenses, net	5	<b>(19,283)</b>	(41,424)
Write-down of properties under development		<b>(4,600)</b>	–
Write-down of properties held for sale		<b>(6,400)</b>	–
Finance costs	7	<b>(106,306)</b>	(95,695)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net		<b>(5,306)</b>	(31,693)
Fair value losses on owned investment properties, net		<b>(14,076)</b>	(83,253)
Share of profits and losses of associates		<u><b>2,946</b></u>	<u>1,572</u>
<b>LOSS BEFORE TAX</b>	6	<b>(11,936)</b>	(47,304)
Income tax credit/(expense)	8	<u><b>15,283</b></u>	<u>(40,519)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><u><b>3,347</b></u></u>	<u><u>(87,823)</u></u>

	Notes	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		936	(57,083)
Reclassification adjustments for losses/(gains) included in profit or loss:			
– Impairment losses, net	6	6,860	4,913
– Loss/(gain) on disposal/redemption, net	4, 5	<u>(784)</u>	<u>40,865</u>
		<u>7,012</u>	<u>(11,305)</u>
Translation reserve:			
Translation of foreign operations		<u>(243,127)</u>	<u>132,557</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
		<u>(236,115)</u>	<u>121,252</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		<u>(29,445)</u>	<u>1,322</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods			
		<u>(29,445)</u>	<u>1,322</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<u>(265,560)</u>	<u>122,574</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u><u>(262,213)</u></u>	<u><u>34,751</u></u>

	<i>Note</i>	2023 <b>HK\$'000</b>	2022 <b>HK\$'000</b>
Profit/(loss) attributable to:			
Owners of the parent		(20,515)	(108,912)
Non-controlling interests		<u>23,862</u>	<u>21,089</u>
		<u><u>3,347</u></u>	<u><u>(87,823)</u></u>
 Total comprehensive income/(loss) attributable to:			
Owners of the parent		(156,856)	(34,610)
Non-controlling interests		<u>(105,357)</u>	<u>69,361</u>
		<u><u>(262,213)</u></u>	<u><u>34,751</u></u>
 <b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	<i>10</i>	<u><u>HK(1.69) cents</u></u>	<u><u>HK(8.84) cents</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		961,159	956,400
Investment properties		3,099,676	3,562,503
Net investments in subleases		7,306	9,093
Investments in associates		4,500	3,804
Financial assets at fair value through other comprehensive income		192,892	147,126
Loans and interest receivables		17,209	13,340
Financial assets at fair value through profit or loss		–	135
Prepayments and deposits		17,070	16,558
Deferred tax assets		11,633	48
		<u>4,311,445</u>	<u>4,709,007</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Properties under development		192,950	189,944
Properties held for sale		1,234,419	1,490,847
Inventories		209,232	188,179
Trade receivables	11	68,028	63,346
Loans and interest receivables		10,749	17,528
Prepayments, deposits and other receivables		259,226	244,004
Net investments in subleases		5,205	5,592
Financial assets at fair value through other comprehensive income		813	19,839
Financial assets at fair value through profit or loss		47,449	109,605
Tax recoverable		5,790	11,115
Pledged deposits		33,496	31,250
Restricted bank balances		12,174	7,311
Cash and cash equivalents		525,869	510,146
		<u>2,605,400</u>	<u>2,888,706</u>
Assets classified as held for sale and assets of a disposal company		<u>96,970</u>	<u>–</u>
Total current assets		<u>2,702,370</u>	<u>2,888,706</u>

	<i>Note</i>	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>79,489</b>	86,357
Other payables and accruals		<b>690,388</b>	769,384
Contract liabilities		<b>175,870</b>	242,967
Interest-bearing bank and other borrowings		<b>614,390</b>	640,262
Tax payable		<b>95,848</b>	142,344
		<b>1,655,985</b>	1,881,314
Liabilities of a disposal company		<b>1,203</b>	–
Total current liabilities		<b>1,657,188</b>	1,881,314
<b>NET CURRENT ASSETS</b>		<b>1,045,182</b>	1,007,392
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,356,627</b>	5,716,399
<b>NON-CURRENT LIABILITIES</b>			
Other payables		<b>66,403</b>	72,589
Unsecured notes		<b>125,189</b>	219,497
Interest-bearing bank borrowings		<b>907,272</b>	821,403
Deferred tax liabilities		<b>569,379</b>	642,299
Total non-current liabilities		<b>1,668,243</b>	1,755,788
<b>Net assets</b>		<b>3,688,384</b>	3,960,611
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>12,046</b>	12,316
Reserves		<b>2,337,145</b>	2,503,482
		<b>2,349,191</b>	2,515,798
Non-controlling interests		<b>1,339,193</b>	1,444,813
<b>Total equity</b>		<b>3,688,384</b>	3,960,611

## NOTES TO FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. Assets and disposal company classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

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

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) 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 the business combinations occurred during the year were outside the scope of HKFRS 3, 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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 amendment that is 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 from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.



### 3. OPERATING SEGMENT INFORMATION

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

- (a) production and sale of Chinese pharmaceutical and health food products – manufacture, processing and sale of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured using selected medicinal materials with traditional prescriptions, mainly in Mainland China and Hong Kong;
- (b) production and sale of Western pharmaceutical and health food products – 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s 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, head office and corporate income and expenses, loss on disposal/redemption of debt investments at fair value through other comprehensive income, net, loss on modification of debt investments at fair value through other comprehensive income and loss on disposal of financial assets at fair value through profit or loss are excluded from such measurement.

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

## Segment revenue and results

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Management and sale of properties in agricultural produce exchange markets		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers	634,958	512,568	82,592	41,273	6,048	7,101	562,830	830,469	-	-	1,286,428	1,391,411
Intersegment sales	<u>1,472</u>	<u>41</u>	<u>537</u>	<u>1,818</u>	<u>15,621</u>	<u>13,083</u>	<u>-</u>	<u>-</u>	<u>(17,630)</u>	<u>(14,942)</u>	<u>-</u>	<u>-</u>
Total	<u>636,430</u>	<u>512,609</u>	<u>83,129</u>	<u>43,091</u>	<u>21,669</u>	<u>20,184</u>	<u>562,830</u>	<u>830,469</u>	<u>(17,630)</u>	<u>(14,942)</u>	<u>1,286,428</u>	<u>1,391,411</u>
<b>Segment results</b>	<u>4,339</u>	<u>(19,448)</u>	<u>15,128</u>	<u>(18,997)</u>	<u>(4,451)</u>	<u>(30,952)</u>	<u>40,240</u>	<u>75,559</u>	<u>-</u>	<u>-</u>	<u>55,256</u>	<u>6,162</u>
Other income and gains, net											83,159	144,869
Unallocated income and expense, net											(37,872)	(29,483)
Finance costs											(106,306)	(95,695)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net											(5,306)	(31,693)
Loss on disposal/redemption of debt investments at fair value through other comprehensive income, net											-	(40,865)
Loss on modification of debt investments at fair value through other comprehensive income											(867)	-
Loss on disposal of financial assets at fair value through profit or loss											-	(599)
Loss before tax											(11,936)	(47,304)
Income tax credit/(expense)											<u>15,283</u>	<u>(40,519)</u>
Profit/(loss) for the year											<u>3,347</u>	<u>(87,823)</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>	1,093,775	1,180,132
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases	<u>192,653</u>	<u>211,279</u>
	<u><u>1,286,428</u></u>	<u><u>1,391,411</u></u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Interest income on loans receivables	2,911	4,486
Interest income on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	2,153	6,842
Interest income on bank deposits	6,064	4,048
Finance income on net investments in subleases	368	555
Dividends from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	2,120	9,414
Rental income from other properties	37,642	44,608
Government subsidies*	9,606	2,166
Compensation from litigation judgement	–	48,572
Others	<u>8,666</u>	<u>8,544</u>
	<u><u>69,530</u></u>	<u><u>129,235</u></u>
<b>Gains, net</b>		
Gain on disposal/redemption of debt investments at fair value through other comprehensive income, net	784	–
Gain on early redemption of unsecured notes	11,544	–
Gain on disposal of items of property, plant and equipment, net	317	–
Gain on modification/termination of lease contracts	627	491
Gain on disposal of investment properties, net	357	8,169
Exchange gains, net	<u>–</u>	<u>6,974</u>
	<u><u>13,629</u></u>	<u><u>15,634</u></u>
Other income and gains, net	<u><u>83,159</u></u>	<u><u>144,869</u></u>

- \* For the year ended 31 March 2023, government subsidies represented (i) the People’s Republic of China (the “**PRC**”) government subsidies of HK\$8,975,000 (2022: HK\$2,166,000) granted to the Group by the local governmental authority in Mainland China for the business support on its investments in an agricultural produce exchange market in Mainland China; and (ii) one-off subsidies of HK\$631,000 granted by The Government of the Hong Kong Special Administrative Region’s Research and Development Cash Rebate Scheme and SME Export Marketing Fund.

The Group has complied with all attached conditions before 31 March 2023 and 2022 and recognised these grants in profit or loss as “Other income and gains, net” in the respective accounting periods.

## 5. OTHER EXPENSES, NET

An analysis of other expenses, net is as follows:

	<b>2023</b>	2022
	<b>HK\$’000</b>	HK\$’000
Loss on disposal of items of property, plant and equipment	–	6,355
Loss on disposal of a subsidiary	<b>1,769</b>	–
Loss on disposal/redemption of debt investments at fair value through other comprehensive income, net	–	40,865
Loss on modification of debt investments at fair value through other comprehensive income	<b>867</b>	–
Loss on disposal of financial assets at fair value through profit or loss	–	599
Impairment losses/(reversal of impairment losses) on property, plant and equipment, net	<b>12,941</b>	(6,395)
Exchange losses, net	<b>3,706</b>	–
	<b>19,283</b>	41,424

## 6. LOSS BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK\$2,965,000 (2022: HK\$4,970,000))	<b>392,350</b>	329,948
Cost of properties sold	<b>155,627</b>	352,932
Cost of services provided	<b>126,674</b>	138,141
Research and development costs	<b>1,897</b>	1,302
Lease payments not included in the measurement of lease liabilities	<b>15,621</b>	12,398
COVID-19-related rent concessions from lessors	<b>(774)</b>	(3,860)
Auditor's remuneration	<b>5,580</b>	5,580
Depreciation of owned assets	<b>54,609</b>	61,000
Depreciation of right-of-use assets	<b>58,440</b>	46,797
	<b>113,049</b>	107,797
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits*	<b>200,416</b>	204,769
Equity-settled share option expense	<b>4,646</b>	1,139
Pension scheme contributions**	<b>9,610</b>	8,981
	<b>214,672</b>	214,889
Foreign exchange differences, net	<b>3,706</b>	(6,974)
Impairment losses on financial assets, net:		
Trade receivables	<b>7,983</b>	5,381
Financial assets included in prepayments, deposits and other receivables	<b>483</b>	31
Debt investments at fair value through other comprehensive income	<b>6,860</b>	4,913
Loans and interest receivables	<b>1,409</b>	2,550
	<b>16,735</b>	12,875
Gross rental income	<b>(230,295)</b>	(255,887)
Less: Direct outgoing expense	<b>280</b>	87
	<b>(230,015)</b>	(255,800)
Net fair value losses/(gains) on sub-leased investment properties***	<b>(2,237)</b>	3,764

- \* Wage subsidies of HK\$12,034,000 (2022: Nil) granted by the Employment Support Scheme under the Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022 had been received during the year ended 31 March 2023. The amount was recognised in profit or loss and had been offset with the employee benefit expense. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.
- \*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- \*\*\* The expense is included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank and other borrowings	82,057	59,372
Interest on lease liabilities	4,423	4,838
Interest on unsecured notes	19,826	23,049
Interest on convertible notes	–	8,436
	<u>106,306</u>	<u>95,695</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates. The provision for PRC land appreciation tax (“LAT”) is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	547	2,155
Current – Mainland China		
Charge for the year	26,823	95,858
LAT	8,464	28,863
Current – other jurisdiction		
Charge for the year	282	377
Overprovision in prior years	(17,524)	(15,686)
Deferred taxation	<u>(33,875)</u>	<u>(71,048)</u>
Total tax charge/(credit) for the year	<u>(15,283)</u>	<u>40,519</u>

## 9. DIVIDENDS

The board of directors does not recommend the payment of any dividends in respect of the year ended 31 March 2023 (2022: Nil).

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

The calculation of the basic loss per share for the year ended 31 March 2023 is based on the loss for the year attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2023 in respect of a dilution as the impact of the outstanding 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 loss per share amount presented for the year ended 31 March 2022 in respect of a dilution as the impact of the outstanding share options and convertible notes issued by CAP either had no dilutive effect or an anti-dilutive effect on the basic loss per share amount presented.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b><u>Loss</u></b>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(20,515)</u>	<u>(108,912)</u>
	<b>Number of shares</b>	
	2023	2022
<b><u>Shares</u></b>		
Weighted average number of ordinary shares used in the basic and diluted loss per share calculation	<u>1,216,212,751</u>	<u>1,231,642,888</u>

## 11. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	91,062	79,515
Less: Accumulated impairment	<u>(23,034)</u>	<u>(16,169)</u>
	<u>68,028</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\$5,908,000 (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 the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	<b>29,244</b>	36,209
1 to 3 months	<b>19,259</b>	7,172
3 to 6 months	<b>12,864</b>	8,267
Over 6 months	<b>6,661</b>	11,698
	<b>68,028</b>	63,346

## 12. TRADE PAYABLES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<b>79,489</b>	86,357

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	<b>29,259</b>	22,339
1 to 3 months	<b>11,236</b>	9,753
3 to 6 months	<b>1,117</b>	9,328
Over 6 months	<b>37,877</b>	44,937
	<b>79,489</b>	86,357

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



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CONSOLIDATED RESULTS**

For the financial year ended 31 March 2023 (the “**Year**”), total revenue of the Group decreased by approximately 7.5% to approximately HK\$1,286.4 million, which was mainly attributable to the decrease in sale of properties in agricultural produce exchange markets.

During the Year, the Group recorded a loss attributable to owners of the parent of approximately HK\$20.5 million (2022: loss attributable to owners of the parent of approximately HK\$108.9 million). Such reduction in loss was mainly attributable to the combined effect of (i) increase in gross profit generated from the production and sale of pharmaceutical and health food products; (ii) decrease in fair value losses on owned investment properties; (iii) decrease in fair value losses on financial assets; and (iv) decrease in loss on disposal/redemption of debt investments, as partially offset by the absence of compensation income from litigation judgement for the financial year ended 31 March 2023.

### **DIVIDEND**

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 March 2023 (2022: Nil). No interim dividend was declared for the six months ended 30 September 2022 (30 September 2021: Nil).

### **BUSINESS REVIEW**

The Hong Kong economy experienced a significant contraction in 2022, following a visible expansion in 2021. The contraction was due to the fifth wave of the COVID-19 epidemic in Hong Kong, a deteriorated external environment and tightened financial conditions. The real GDP of Hong Kong for 2022 as a whole contracted by 3.5% compared to that of 2021. Hong Kong’s total exports of goods suffered a significant drop, with exports to major markets such as Mainland China, the United States, and the European Union declining sharply. This was attributed to the moderated global economic growth and the disruption to cross-boundary truck movements between Hong Kong and Mainland China. Exports to other major markets in Asia also witnessed a decline in performance.

Moving forward, it is expected that the Hong Kong economy will experience a significant rebound in 2023. Although demand from advanced economies is projected to be weakened further, which may negatively impact Hong Kong’s exports of goods, the expected faster growth of Mainland China’s economy and the removal of cross-boundary truck movement restrictions between Hong Kong and Mainland China should provide some support for exports of goods from Hong Kong. Additionally, with the lifting of quarantine arrangements for inbound visitors and the resumption of normal travel between Hong Kong and Mainland China towards the end of the Year, visitor arrivals are expected to record a strong comeback and serve as a key driver of economic growth in the upcoming year.

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

The fifth wave of the COVID-19 epidemic hit Hong Kong rapidly and fiercely. In March 2022, the highly transmissible Omicron variant strain caused a turbulent epidemic phase, during which the number of COVID-19 infections peaked and many Hong Kong residents were left suffering from post COVID-19 symptoms, commonly known as Long Covid. As a result, there has been a strong demand for Chinese medicine practitioners' consultation services and health supplements. At Wai Yuen Tong, we prioritize the health of our customers. To facilitate proper treatment, we activated online Chinese medicine practitioners' consultation services. We also launched several campaigns to help Hong Kong residents address Long Covid symptoms, boosting sales of most of our respiratory-related products.

Despite the challenges posed by the epidemic, Wai Yuen Tong launched several new products to reinforce our position in the Angong Niu Huang Wan market and also entered the cancer supplements segment. In order to extend our care and provide easier access of our products and services to the public, we continue to expand our business by opening new retail outlets, listing in key drug stores, and investing in our online presence.

As a result of the Group's efforts described above, the total revenue of Chinese pharmaceutical and health food products increased to approximately HK\$635.0 million, equivalent to approximately 23.9% growth from the previous year.

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

During the first 9 months of 2022, the economy of Hong Kong continued to be impacted by the COVID-19 pandemic. However, stepping into the fourth quarter of 2022, Hong Kong has started resuming to normal with less restriction on commercial and social activities. Notwithstanding this, the Group still faces business challenges such as uncertain retail market sentiments and changes in consumption pattern.

Responding to such a turbulent market environment, the Group keeps striving different efforts in realizing business opportunities in the market. "Madame Pearl's", our flagship brand, 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 Year, the Group made sound and solid progress on building up the effective Hong Kong trade channels on distributing "Luxembourg"-branded products. Furthermore, to comply with Mainland China's relevant regulations, the Group has engaged various local distributors to increase the channel penetration of the "Madame Pearl's" and "Pearl's" brands into Mainland China.

As regards "Pearl's", another key brand of the Group, we have established leadership in mosquito repellent product category in the Hong Kong market. The revenue of "Pearl's" Mosquitout product range reported a satisfactory growth over last year.

During the pandemic period, consumer purchasing behavior has greatly shifted from offline to online. In response to this trend, we have been actively deploying resources to develop our e-commerce business channels, 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, Ztore, etc. as well as developing our cross-border e-commerce business.

As a result of the Group’s efforts described above, the total revenue of Western pharmaceutical and health food products delivered a growth of 100.1% over same period of last year.

## **Property Investment**

As at 31 March 2023, the Group owned 13 properties in Hong Kong which are all retail properties or industrial building (whereas the Group has entered into two sale and purchase agreements with respect to the disposal of two properties which transactions are pending completion as of 31 March 2023). A majority of these properties were used as the retail shops under self-operating and franchise modes. The Group also owned agricultural produce exchange markets in the People’s Republic of China (the “**PRC**”). The net fair value losses on owned investment properties for the Year amounted to approximately HK\$14.1 million (2022: net fair value losses of approximately HK\$83.3 million) as a result of the further deterioration of property market condition.

During the Year, 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.

During the Year, the Group completed the disposal of a property-holding company holding a property situated at Ground Floor of Bowring Building, No.14 Bowring Street, Kowloon, Hong Kong for a consideration of HK\$48.8 million on 22 March 2023. Please refer to the joint announcement dated 6 January 2023 of the Company and Wang On Group Limited (“**Wang On**”) for details of the property disposal.

On 6 February 2023, the Group entered into a provisional sale and purchase agreement with an independent third party to sell a property-holding company holding a property situated at the 11th Floor of Well Town Industrial Building (together with the related roof portion and a carparking space), No. 13 Ko Fai Road, Kowloon, Hong Kong at a consideration of HK\$71.0 million, completion of which took place on 19 June 2023. This property was classified as assets of a disposal company as at 31 March 2023. Please refer to the joint announcements dated 6 February 2023 and 19 June 2023 of the Company and Wang On for details of the property disposal.

On 21 March 2023, the Group entered into a provisional sale and purchase agreement with an independent third party to sell a property situated at Shop B on G/F and Portion of the Yard, Nos. 66, 68, 70 & 72 Tai Wai Road, Shatin, New Territories, Hong Kong at a consideration of HK\$66.8 million, completion of which will take place on 30 June 2023. This property was classified as assets held for sale as at 31 March 2023. Please refer to the joint announcement dated 21 March 2023 of the Company and Wang On for details of the property disposal.

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

China Agri-Products Exchange Limited (“**CAP**”, together with its subsidiaries, the “**CAP Group**”) is principally engaged in the management and sale of properties in agricultural produce exchange markets in the PRC. The CAP Group managed 11 agricultural produce exchange markets in the PRC, across five provinces. During the Year, CAP recorded revenue of approximately HK\$562.8 million (2022: approximately HK\$830.5 million) which included (i) approximately HK\$393.8 million (2022: approximately HK\$411.9 million) generated from operating of agricultural produce exchange markets, and (ii) approximately HK\$169.0 million (2022: approximately HK\$418.6 million) generated from sale of properties.

### ***Hubei Province***

#### *Wuhan Baisazhou Market*

Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City, the PRC with a site area of approximately 310,000 square metres and one of the most notable agricultural products market in Hubei Province. Wuhan Baisazhou Market was awarded top 50 of agricultural produce exchange markets by China Agricultural Wholesale Market Association. The award was a sign to the market contribution being made by the CAP Group’s effort and expertise as an agricultural produce exchange market operator in the PRC. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

The COVID-19 epidemic phased out since the beginning of 2023. During the Year, it did not cause significant effect on this market which was able to remain in normal operations.

### *Huangshi Market*

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is a joint venture project of the CAP Group founded in January 2015 with an operating area of approximately 23,000 square metres. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy effect with Wuhan Baisazhou Market, facilitating vegetables and by-products trading. During the Year, the operation performance of Huangshi Market was steady.

### *Suizhou Market*

Suizhou Baisazhou Agricultural and By-Product Exchange Market (“**Suizhou Market**”) is another joint venture project of the CAP Group founded in March 2018. It occupied approximately 240,000 square metres. The CAP Group pursued asset-light operation business model by taking up the contract management rights to operate this market. During the Year, the turnover of Suizhou Market increased as compared to that of the last financial year.

### *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 of approximately 255,000 square metres. The turnover of Luoyang Market decreased due to the decrease of properties sale recognition during the Year as compared to that of the last financial year.

#### *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is one of the CAP Group’s joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the Year, Puyang Market faced keen competition from a new market. The turnover of Puyang Market increased due to the improvement in agricultural products transaction commission during the Year as compared to that of the last financial year.

### *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”), with a gross floor construction area of approximately 140,000 square metres, is the CAP Group’s third market operation point for the facilitation of the building of an agricultural produce market network in Henan Province, the PRC. During the Year, the turnover of Kaifeng Market decreased due to the decrease of properties sale recognition as compared to that of last financial year.

### *Guangxi Zhuang Autonomous Region*

#### *Yulin Market*

Yulin Hongjin Agricultural and By-Product Exchange Market (“**Yulin Market**”) is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region, the PRC (“**Guangxi Region**”) with a site area of approximately 415,000 square metres. The turnover of Yulin Market decreased due to the decrease of properties sale recognition during the Year as compared to that of the last financial year.

#### *Qinzhou Market*

Qinzhou Hongjin Agricultural and By-Product Exchange Market (“**Qinzhou Market**”), with a gross floor construction area of approximately 180,000 square metres, is the CAP Group’s second market operation point for the facilitation of the building of an agricultural produce market network in the Guangxi Region. The operation performance of Qinzhou Market was steady during the Year.

### *Jiangsu Province*

#### *Xuzhou Market*

Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The turnover of Xuzhou Market decreased slightly during the Year as compared to that of the last financial year.

### *Huai'an Market*

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

### *Liaoning Province*

#### *Panjin Market*

Panjin Hongjin Agricultural and By-Product Exchange Market (“**Panjin Market**”), with a construction area of around 50,000 square metres, is the CAP Group's first attempt in investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs and held regular market fairs. During the Year, the operation performance of Panjin Market was steady. The turnover of Panjin Market decreased slightly during the Year as compared to that of the last financial year.

### *E-commerce development*

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the CAP Group allocated cost effective resources to e-commerce development. The CAP Group has launched a new electronic trading platform for energizing the efficiency of agricultural products market. At the moment, the CAP Group would take cautious cost control in electronic trading platform development.

### **Unsecured Notes Due in 2024 (“Unsecured Notes”)**

In May 2014, CAP established a HK\$1,000,000,000 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). As at 31 March 2023, the Unsecured Notes in the principal amount of HK\$150.0 million (2022: HK\$290.0 million) remained outstanding after the repurchase and cancellation in the principal amount of HK\$140.0 million during the Year. As at 31 March 2023, carrying value of the Unsecured Notes was approximately HK\$125.2 million (2022: approximately HK\$219.5 million).



## FINANCIAL REVIEW

### Liquidity and Gearing and Financial Resources

As at 31 March 2023, the Group had total assets of approximately HK\$7,013.8 million (2022: approximately HK\$7,597.7 million) which were financed by current liabilities of approximately HK\$1,657.2 million (2022: approximately HK\$1,881.3 million), non-current liabilities of approximately HK\$1,668.2 million (2022: approximately HK\$1,755.8 million) and shareholders' equity of approximately HK\$3,688.4 million (2022: approximately HK\$3,960.6 million).

As at 31 March 2023, the Group's cash and cash equivalents and pledged deposit were approximately HK\$559.4 million (2022: approximately HK\$541.4 million).

As at 31 March 2023, the Group's total interest-bearing debts amounted to approximately HK\$1,646.9 million (2022: approximately HK\$1,681.2 million), all of which bore interest at fixed and floating interest rates and were denominated in Hong Kong dollars and RMB.

The table below summarises the Group's borrowing profile:

	As at 31 March 2023		As at 31 March 2022	
	<i>HK\$ million</i>	<i>Approximate effective interest rate</i>	<i>HK\$ million</i>	<i>Approximate effective interest rate</i>
Unsecured Notes	125	12%	219	12%
Financial institution borrowings	1,516	5%	1,392	4%
A subsidiary of Wang On	–	N/A	70	10%
Other borrowings	6	7%	–	N/A
Total	<u>1,647</u>		<u>1,681</u>	

As at 31 March 2023, the Unsecured Notes issued by CAP will mature in September 2024; the financial institution borrowings of the Group will mature during the period from May 2023 to May 2029; the loan from a subsidiary of Wang On of HK\$70.0 million was fully repaid in August 2022; and the other borrowings of the Group will mature in April 2023.

The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.6 (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 46.3% (2022: approximately 45.3%). The Group always adopts a conservative approach in its financial management.



## Significant Investments Held

As at 31 March 2023, 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\$193.7 million and approximately HK\$47.4 million respectively, details of which were set out as follows:

Name of Investments	Notes	As at 31 March 2023		For the financial year ended 31 March 2023			Fair value/ carrying amount		Investment costs HK\$'000
		Amount held HK\$'000	Percentage to Group's net assets %	Fair value gain/(loss) HK\$'000	Interest income HK\$'000	Dividend received HK\$'000	As at	As at	
							31 March 2023 HK\$'000	31 March 2022 HK\$'000	
<b>(a) Financial assets at fair value through other comprehensive income:</b>									
- Equity investments									
Wang On	(i)	89,271	2.42	(30,901)	-	-	89,271	120,172	81,506
Others	(ii)	54,378	1.47	1,456	-	928	54,378	26,954	75,851
- Debt investments	(ii)	50,056	1.36	936	2,153	-	50,056	19,839	64,653
<b>Sub-total</b>		<u>193,705</u>	<u>5.25</u>	<u>(28,509)</u>	<u>2,153</u>	<u>928</u>	<u>193,705</u>	<u>166,965</u>	<u>222,010</u>
<b>(b) Financial assets at fair value through profit or loss:</b>									
- Unlisted funds	(iii)	41,637	1.13	(5,431)	-	1,192	41,637	99,644	96,750
- Others	(iii)	5,812	0.16	125	-	-	5,812	10,096	5,470
<b>Sub-total</b>		<u>47,449</u>	<u>1.29</u>	<u>(5,306)</u>	<u>-</u>	<u>1,192</u>	<u>47,449</u>	<u>109,740</u>	<u>102,220</u>
<b>Total</b>		<u>241,154</u>	<u>6.54</u>	<u>(33,815)</u>	<u>2,153</u>	<u>2,120</u>	<u>241,154</u>	<u>276,705</u>	<u>324,230</u>

Notes:

(i) 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 31 March 2023, the Group is interested in 1,716,749,000 shares in Wang On, representing approximately 10.74% of all its issued shares.

(ii) Save as disclosed above, the Group also invested in other equity securities and bonds, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2023.

(iii) Save as disclosed above, the Group also invested in other unlisted funds and derivative financial instruments, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2023.

## **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 generating a stable income.

As at 31 March 2023, the fair value of the Group's investment in bonds and equity securities amounted to approximately HK\$50.1 million (2022: approximately HK\$19.8 million) and approximately HK\$143.6 million (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\$28.5 million in the other comprehensive income for the Year (2022: net loss of approximately HK\$55.8 million).

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

As at 31 March 2023, the Group maintained an investment portfolio of unlisted funds and derivative financial instruments. The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

The Group had recorded a net loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$5.3 million for the Year (2022: net loss of approximately HK\$31.7 million).

**Foreign Exchange**

The Board is of the opinion that the Group has material foreign exchange exposure in RMB. A majority of bank borrowings are denominated in Hong Kong dollars and RMB. The revenue of the Group, mostly denominated in Hong Kong dollars and RMB, matches the currency requirements of the Group's operating expenses. Currently, the Group does not have a foreign currency hedging policy.

The activities of the Group are exposed to foreign currency risks mainly arising from its operations in Mainland China. The RMB exposure of the Group is mainly derived from currency translation risk arising from the net assets of our Mainland China 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\$243.1 million (2022: gain of approximately HK\$132.6 million). The re-translation loss/gain was recognized 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 equity securities and debt investments to maximize assets efficiency.

**Capital Commitment**

As at 31 March 2023, the Group had capital commitment of approximately HK\$225.9 million (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 consolidated financial statements.

## **Pledge of Assets**

As at 31 March 2023, 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, assets classified as held for sale, assets of a disposal company, financial assets at fair value through other comprehensive income, and pledged deposits, with a total carrying value of approximately HK\$3,086.8 million (2022: approximately HK\$2,926.4 million).

## **Financial Guarantee**

As at 31 March 2023, the Group provided guarantees of approximately HK\$36.1 million to customers in favor of certain banks for the loans provided by the banks to the customers of the properties sold (2022: approximately HK\$45.5 million). Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds.

## **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 Year. As at 31 March 2023, the Group did not have any concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries, associates and joint ventures.

## **Litigation**

In 2007, the CAP Group acquired Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") from independent third parties, Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Limited ("**Tian Jiu**") for their respective 70% and 20% interests in Baisazhou Agricultural (the "**Baisazhou Acquisition**").

Since 2011, the CAP Group has been involved in a number of civil proceedings in Mainland China and Hong Kong. The key civil proceedings in Mainland China and Hong Kong in respect of the Baisazhou Acquisition are set out below:

### **In Mainland China, proceedings concerning Ms. Wang, Tian Jiu and the CAP Group:**

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

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

- (a) Baisazhou Agricultural forged share transfer agreements (the “**Contended Agreements**”) in relation to the Baisazhou Acquisition wherein the related consideration was understated and the manner of settlement of the consideration was inaccurately described;
- (b) Baisazhou Agricultural forged the related documentation for filing with MOFCOM and the Hubei Administration For Industry and Commerce (the “**Hubei AIC**”), and that such documentation and the Contended Agreement involved forged signatures; and
- (c) MOFCOM and the Hubei AIC approved the Baisazhou Acquisition and processed the related 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 favor of CAP for sums exceeding the sum owed under the Instruments (the “**HK Judgement**”). 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. Further, as the counterclaim of Ms. Wang and Tian Jiu was dismissed, CAP continues to be the legal and beneficial owner of Baisazhou Agricultural.

On 20 April 2023, the CFI ruled in respect of the total damages that Ms. Wang and Tian Jiu shall pay to CAP in respect of the HK Judgement and ruled that Ms. Wang and Tian Jiu shall pay to CAP damages in the sum of HK\$567,037,325.74, together with interest thereon at judgement rate from 18 January 2021 until payment.

Up to the date of this announcement, CAP is seeking legal advice for the recovery of damages against Ms. Wang and Tian Jiu.

**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 of the CAP Group can be found in the interim/annual reports and announcements issued by CAP.

**EVENTS AFTER REPORTING PERIOD**

On 12 April 2023, CAP repurchased outstanding Unsecured Notes in an aggregate principal amount of HK\$10.0 million via open market. The repurchased notes had been cancelled on 21 April 2023. Details of repurchase were disclosed in the announcement of CAP dated 12 April 2023.



## **RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS**

The Group recognizes our employees as the key element that contributes to the Group's success. As at 31 March 2023, the Group had 1,941 (2022: 1,872) employees, of whom approximately 35.4% (2022: approximately 34.4%) were located in Hong Kong and Macau and the rest were located in Mainland China. The Group remunerated its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may also be granted to selected staff by reference to the Group's performance, where appropriate, as well as the individual's performance. In addition to the Company's existing share option scheme, CAP has in August 2022 adopted a share option scheme to incentivize 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 Macau and PRC staff. Other benefits such as medical and retirement benefits and structured training programs were also provided. Meanwhile, the Group endeavors 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 endeavors to provide consistently high quality and large range of products to its customers; and to build up and maintain a trustworthy and long-term relationship with its suppliers.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

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



- (ii) environmental protection policies: environmental impact caused by waste and wastewater generated during the pharmaceutical manufacturing process and the construction and operations of agricultural produce exchange markets, efficiency and security of key infrastructure;
- (iii) cost control: the Group may not always be able to implement cost control measures to effectively counter the effect of rising product cost and/or decrease in income;
- (iv) allowance for obsolete inventories: allowance for obsolete inventories due to weather, expiry date of unsold products and other damages;
- (v) supply chain disruption: raw material shortage or price inflation due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings;
- (vi) inability to penetrate emerging markets: the Group may not be able to effectively penetrate traditional industries and traditional products into emerging markets;
- (vii) respond to customer behavior: the Group may not be able to respond effectively to economy recession, reduction in consumer spending and change of impulsive shopping behavior;
- (viii) sourcing: less globalized sourcing and lower cost competitiveness;
- (ix) volatility in retail rental: continuously increasing in retail rental may reduce our profitability if we are unable to pass on the effect of such increases to our customers; and
- (x) foreign exchange: unfavorable fluctuations in the exchange rate may adversely affect the Group's cash flow and profits.

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

## **PROSPECTS**

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

Although advanced economies may be experiencing recession, the expected faster growth of the Mainland China's economy and the lifting of cross-boundary restrictions between Hong Kong and Mainland China should offer some support for exports of goods in Hong Kong. Additionally, it is expected that there will be strong rebound in visitor arrivals which serves as a significant driver of economic growth in the upcoming year.

Moving forward, with the largest team of professional Chinese medicine practitioners in Hong Kong, Wai Yuen Tong will follow its motto "Preparing Medicine with Dedication, Growing Strong with Reputation". Our key focus is to increase our market share by opening both self-operated and franchised retail outlets in the PRC, Hong Kong and Macau. We will also strengthen our overseas footprints. Furthermore, we will continue introducing new products to meet the customers' evolving needs. E-commerce is expected to play a crucial role in serving our consumers online in the next financial year.

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

During the Year, the tension between the PRC and the United States worsened and has slowed down the economic growth. However, such friction has little impact on the CAP Group's operation which 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 beginning of 2023, COVID-19 epidemic phased out in the PRC and the local governments have lifted most of the health and hygiene measures imposed. All of the CAP Group's agricultural produce exchange markets followed but maintained a certain level of health and hygiene measures as its competitive edges over many local and less-sophisticated competitors. This also helps it be better adapted to the post-pandemic market environment as public health and hygiene become a major topic in the future.

Once again, agricultural development is the PRC Central Government's first priority policy for the next consecutive years. In 2023, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2023". 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 continue to drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

In order to capture new business opportunities, the CAP Group has taken further steps to expand its operations in the PRC by cooperating with different partners with an “asset light” strategy. It has also explored online platform development to capture the opportunity brought by technology advancement and data economy. A further expansion of the CAP Group’s scope to wet market and trading is also being pursued. With its leading position in the industry, the CAP Group is confident that its business strategy and operation model will deliver long-term benefits to CAP and its shareholders as a whole.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

### **Environmental policies and performance**

The Group is committed to enhancing and strengthening efforts on environmental friendliness, so as to facilitate industrial upgrading. We proactively implement environmental protection policies, gradually adjust its portfolio, conduct energy-saving, using recycled paper, emission reduction and pollution prevention strategies. The Group continues to upgrade its industrial facilities to become more environmental friendly, including the use of solar energy and implementation of energy saving policy.

### **Corporate social responsibility**

While the Group endeavours to promote business development and strives for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. The Group has not only improved the quality management system but also strengthened the audit quality to ensure the quality and safety of Chinese and Western pharmaceutical project control. The Group is also conscious of its role as a socially responsible group of companies. It makes donations for community wellbeing from time to time, and supports the communities. The Group built up a team of staff volunteers to get involved in volunteer work and encourages its employees to participate in any charitable events and caring services.

### **Compliance with the corporate governance code**

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

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

Code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, Mr. Tang Ching Ho (“**Mr. Tang**”), the chairman of the Board, also assumed the role of managing Director, which arrangement deviated from code provision C.2.1 of the CG Code. Mr. Tang has extensive management experience in corporate management and is responsible for overall corporate planning, strategic policy making of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of various business units in the daily business operation and the Board comprises three executive Directors and four independent non-executive Directors with balance of skill and experience appropriate for the Group’s further development. The Company does not propose to comply with code provision C.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

The Group continues to review and propose, as and when appropriate, by taking into consideration of such deviation and any other relevant factors.

Further details of the Company’s corporate governance practices will be set out in the corporate governance report to be contained in the Company’s 2023 annual report.

#### **Model code for securities transactions by directors**

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

Details of the Environmental, Social and Governance performance of the Group would be disclosed in the Environmental, Social and Governance Report of the Company to be published on the websites of the Company and the Stock Exchange in due course.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, 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 Year 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>27.0</u>			<u>9.96</u>

The repurchases of the Company's shares during the Year 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 31 March 2023 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 Year.

### AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with the Company's management and approved the accounting policies and principles adopted and the Group's consolidated financial statements for the financial year ended 31 March 2023.

## **SCOPE OF WORK OF ERNST & YOUNG**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing*, *Hong Kong Standards on Review Engagements* or *Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance has been expressed by Ernst & Young on this announcement.

## **ANNUAL GENERAL MEETING**

The 2023 annual general meeting of the shareholders of the Company will be held at Garden Room A-D, 2/F., New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 22 August 2023 at 11:30 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 17 August 2023 to Tuesday, 22 August 2023 (both days inclusive) for determining eligibility to attend and vote at the 2023 annual general meeting. In order to be eligible to attend and vote at the 2023 annual general meeting, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m., Wednesday, 16 August 2023.

## **PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT**

This final results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.wyth.net](http://www.wyth.net)). The 2023 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders (where appropriate) and available on the above websites in due course.

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

Hong Kong, 28 June 2023

*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*