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WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

INTERIM FINANCIAL HIGHLIGHTS			
	Six months ended 30 September		
	FY2020	FY2019	Change
	(Unaudited)	(Unaudited)	
Revenue (<i>HK\$ in million</i>)	988	2,704	↓63.5%
Net profit attributable to owners of the parent (<i>HK\$ in million</i>)	99	413	↓76.0%
EPS (<i>HK cents</i>)			
— Basic and diluted	0.58	2.39	↓75.7%
Dividend per share (<i>HK cent</i>)			
— Interim	0.10	0.10	—
	As at	As at	
	30.9.2020	31.3.2020	
	(Unaudited)	(Audited)	
Total net asset value (<i>HK\$ in million</i>)	9,344	9,042	↑3.3%
NAV per share (<i>HK\$</i>)	0.54	0.52	↑3.8%
Gearing ratio	56.8%	51.1%	↑5.7%

* For identification purpose only

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Director(s)**”) of Wang On Group 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 2020, together with the comparative figures for the corresponding period in 2019. This interim condensed consolidated financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE			
Revenue from contracts with customers	4	721,544	2,490,863
Interest income from treasury operation	4	92,393	108,403
Revenue from other sources	4	173,946	105,149
		<hr/>	<hr/>
Total revenue		987,883	2,704,415
Cost of sales		(490,800)	(1,477,712)
		<hr/>	<hr/>
Gross profit		497,083	1,226,703
Other income and gains, net	4	99,678	97,667
Selling and distribution expenses		(129,808)	(290,072)
Administrative expenses		(227,636)	(168,249)
Reversal of impairment losses			
of financial assets, net		16,802	4,460
Other expenses		(14,727)	(4,702)
Finance costs	5	(137,442)	(102,254)
Fair value gains/(losses) of financial assets at fair value through profit or loss, net		(22,643)	3,552
Fair value gains/(losses) on investment properties, net		19,339	(117,273)
Share of profits and losses of:			
Joint ventures		53,513	52,606
Associates		4,656	7,332
		<hr/>	<hr/>

		Six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	6	158,815	709,770
Income tax expense	7	<u>(66,472)</u>	<u>(141,642)</u>
PROFIT FOR THE PERIOD		<u>92,343</u>	<u>568,128</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
<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:			
Change in fair value		(6,501)	(4,370)
Reclassification adjustments for gains/losses included in profit or loss			
— Impairment losses		(2,086)	(2,089)
— Loss/(gain) on disposal, net		<u>6,253</u>	<u>(8,825)</u>
		<u>(2,334)</u>	<u>(15,284)</u>
Exchange differences on translation of foreign operations		<u>111,094</u>	<u>3,907</u>
Other reserves:			
Share of other comprehensive income/(loss) of joint ventures		6,361	(5,833)
Share of other comprehensive income/(loss) of associates		<u>9,977</u>	<u>(6,104)</u>
		<u>16,338</u>	<u>(11,937)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<u>125,098</u>	<u>(23,314)</u>

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value adjustment upon transfer from owner-occupied property to investment property	76,685	—
Share of other comprehensive loss of an associate	(868)	—
Equity investments at fair value through other comprehensive income — changes in fair value, net of tax	121,513	(24,073)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	197,330	(24,073)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	322,428	(47,387)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	414,771	520,741
Profit attributable to:		
Owners of the parent	99,269	412,692
Non-controlling interests	(6,926)	155,436
	92,343	568,128
Total comprehensive income attributable to:		
Owners of the parent	338,470	372,592
Non-controlling interests	76,301	148,149
	414,771	520,741
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	HK0.58 cent	HK2.39 cents

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

	30 September 2020 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	31 March 2020 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	1,360,799	1,373,298
Investment properties	4,785,248	4,609,816
Properties under development	2,277,847	1,475,902
Investments in joint ventures	2,145,762	1,976,654
Investments in associates	6,234	69,903
Financial assets at fair value through other comprehensive income	718,112	1,096,016
Financial assets at fair value through profit or loss	130,618	111,178
Loans and interest receivables	<i>10</i> 11,336	11,336
Prepayments, other receivables and other assets	423,714	476,273
Deferred tax assets	—	4,607
	<hr/>	<hr/>
Total non-current assets	11,859,670	11,204,983
CURRENT ASSETS		
Properties under development	2,275,988	2,298,232
Properties held for sale	2,435,725	2,432,770
Inventories	159,253	155,061
Trade receivables	<i>11</i> 85,995	88,773
Loans and interest receivables	<i>10</i> 549,974	508,523
Prepayments, other receivables and other assets	394,392	289,358
Cost of obtaining contracts	70,904	47,852
Financial assets at fair value through other comprehensive income	308,400	186,640
Financial assets at fair value through profit or loss	209,689	203,404
Tax recoverable	44,756	29,381
Restricted bank balance	10,900	8,157
Cash and cash equivalents	1,465,041	1,575,810
	<hr/>	<hr/>
	8,011,017	7,823,961
Assets classified as held for sale	132,062	59,900
	<hr/>	<hr/>
Total current assets	8,143,079	7,883,861

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Note</i>		
CURRENT LIABILITIES			
Trade payables	12	126,728	100,146
Other payables and accruals		1,601,002	1,434,090
Contract liabilities		572,681	569,785
Financial liabilities at fair value through profit or loss		19,879	5,022
Interest-bearing bank and other borrowings		2,510,157	2,656,906
Tax payable		232,546	355,767
		<hr/>	<hr/>
Total current liabilities		5,062,993	5,121,716
		<hr/>	<hr/>
NET CURRENT ASSETS		3,080,086	2,762,145
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,939,756	13,967,128
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Unsecured notes		190,109	181,220
Interest-bearing bank and other borrowings		3,825,295	3,117,103
Convertible notes		254,367	249,814
Other payables		633,746	707,834
Deferred tax liabilities		691,150	669,490
Financial liabilities at fair value through profit or loss		883	—
		<hr/>	<hr/>
Total non-current liabilities		5,595,550	4,925,461
		<hr/>	<hr/>
Net assets		9,344,206	9,041,667
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		173,975	173,975
Reserves		5,941,543	5,688,832
		<hr/>	<hr/>
		6,115,518	5,862,807
		<hr/>	<hr/>
Non-controlling interests		3,228,688	3,178,860
		<hr/>	<hr/>
Total equity		9,344,206	9,041,667
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2020

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 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 of Hong Kong Limited (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Hong Kong dollar (“**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 amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The Group has not early adopted any standards, interpretation or amendments 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 five reportable operating segments as follows:

- (a) the property development segment engages in the development of properties;
- (b) the property investment segment engages in investment in industrial and commercial premises and residential units for rental or for sale;
- (c) the fresh markets segment engages in the management and sub-licensing of fresh markets and butchery business which also includes management of agricultural produce exchange markets in Mainland China;
- (d) the pharmaceutical segment engages in production and sale of pharmaceutical and health food products; and
- (e) the treasury management segment engages in provision of finance and investments in debt and other securities which earn interest 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 before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains/losses arising from the Group's financial assets at fair value through profit or loss, gains/losses arising from acquisition/disposal transactions, head office and corporate income and expenses and share of profits and losses of joint ventures and associates are excluded from such measurement.

Information regarding these reportable segments, together with their related revised comparative information is presented below.

Reportable segment information

Six months ended 30 September

	Property development		Property investment		Fresh markets		Pharmaceutical		Treasury management		Elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Segment revenue (note 4):														
Sales to external customers	354,382	2,222,768	11,760	7,132	302,637	96,501	226,076	269,323	93,028	108,691	—	—	987,883	2,704,415
Intersegment sales	—	—	6,197	6,711	—	—	3,282	7,202	—	—	(9,479)	(13,913)	—	—
Other income	15,641	7,115	34,747	346	4,795	2,200	—	—	27	5,494	—	—	55,210	15,155
Total	370,023	2,229,883	52,704	14,189	307,432	98,701	229,358	276,525	93,055	114,185	(9,479)	(13,913)	1,043,093	2,719,570
Segment results	66,099	768,723	78,765	(21,930)	44,600	19,767	(18,096)	(71,460)	103,746	134,553			275,114	829,653
Reconciliation:														
Bank interest income													4,393	11,456
Finance costs													(137,442)	(102,254)
Fair value gains/(losses) of														
financial assets at fair value														
through profit or loss, net													(22,643)	3,552
Corporate and unallocated													(18,776)	(92,575)
expenses, net														
Share of profits and losses of:														
Joint ventures													53,513	52,606
Associates													4,656	7,332
Profit before tax													158,815	709,770
Income tax expense													(66,472)	(141,642)
Profit for the period													92,343	568,128

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
<i>Revenue from contracts with customers</i>		
Sale of properties	354,382	2,221,540
Sale of goods	278,958	269,323
Commission income from agricultural produce exchange markets	67,134	—
Agricultural produce exchange markets ancillary services	21,070	—
	<u>721,544</u>	<u>2,490,863</u>
<i>Interest income</i>		
Interest income from treasury operation	<u>92,393</u>	<u>108,403</u>
<i>Revenue from other sources</i>		
Sub-licensing fee income	92,229	96,501
Gross rental income	81,082	8,360
Dividend income from financial assets	635	288
	<u>173,946</u>	<u>105,149</u>
	<u>987,883</u>	<u>2,704,415</u>

Disaggregated revenue information for revenue from contracts with customers

All revenue from contracts with customers is recognised at the point in time when the control of the assets is transferred to the customers.

For the six months ended 30 September 2020

Segments

	Property development <i>HK\$'000</i> (Unaudited)	Pharmaceutical <i>HK\$'000</i> (Unaudited)	Fresh Markets <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or services				
— Sales of properties	354,382	—	—	354,382
— Sales of goods	—	226,076	52,882	278,958
— Commission income from agricultural produce exchange markets	—	—	67,134	67,134
— Agricultural produce exchange markets ancillary services	—	—	21,070	21,070
Total revenue from contracts with customers	<u>354,382</u>	<u>226,076</u>	<u>141,086</u>	<u>721,544</u>

For the six months ended 30 September 2019

Segments

	Property development <i>HK\$'000</i> (Unaudited)	Pharmaceutical <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or services			
— Sales of properties	2,221,540	—	2,221,540
— Sales of goods	—	269,323	269,323
Total revenue from contracts with customers	<u>2,221,540</u>	<u>269,323</u>	<u>2,490,863</u>

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

	Six months ended 30 September	
	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Other income		
Bank interest income	4,393	11,456
Forfeiture of deposits from customers	4,050	—
Management fee income	7,882	5,305
Government subsidies	8,941	—
Others	32,219	11,309
	<u>57,485</u>	<u>28,070</u>
Gains, net		
Gain on disposal of subsidiaries	30,800	—
Gain on termination of lease contracts	11,292	—
Gain on disposal of property, plant and equipment, net	—	56,403
Gain on disposal of investment properties, net	—	8,116
Gain on disposal of debt investments at fair value through other comprehensive income, net	—	3,464
Exchange gains, net	101	1,614
	<u>42,193</u>	<u>69,597</u>
Other income and gains, net	<u><u>99,678</u></u>	<u><u>97,667</u></u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest on bank loans and other borrowings	98,636	109,940
Interest on lease liabilities	25,160	25,424
Interest on unsecured notes	10,331	—
Interest on promissory notes	11,750	—
Interest on convertible notes	14,504	—
Interest expenses arising from revenue contracts	—	972
Less: interest capitalised	(22,939)	(34,082)
	<u><u>137,442</u></u>	<u><u>102,254</u></u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services provided	105,148	51,938
Cost of properties sold	230,604	1,256,680
Cost of inventories sold	155,048	169,094
Depreciation of owned assets	38,580	47,179
Depreciation of right-of-use assets	19,591	28,514
Loss/(gain) on disposals of investment properties, net*	208	(8,116)
Gain on disposals of items of property, plant and equipment	—	(56,403)
Gain on termination of lease contracts	(11,292)	—
Loss/(gain) on disposal of subsidiaries	(30,800)	3,937
Impairment of items of property, plant and equipment*	6,576	2,212
Write-down of properties held for sale to net realisable value*	1,690	—
Loss/(gain) on disposal/redemption of financial assets at fair value through other comprehensive income, net*	6,253	(3,464)
Reversal of impairment losses of financial assets, net:		
Reversal of impairment of debt investments at fair value through other comprehensive income, net	(2,086)	(2,089)
Impairment/(reversal of impairment) of trade and other receivables, net	(2,124)	543
Reversal of impairment of loans and interest receivables, net	(12,592)	(2,914)
	<u>(16,802)</u>	<u>(4,460)</u>
Foreign exchange difference, net	(101)	(1,614)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<u>2,292</u>	<u>1,378</u>

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

Note:

Wage subsidies of HK\$19,909,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to August 2020 have been received during the six months ended 30 September 2020. The amount was recognised in "Administrative expenses" and had been offset with the employee benefit expenses.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	26,376	119,228
Current – other jurisdiction	33,360	—
Deferred	6,736	22,414
	<u>66,472</u>	<u>141,642</u>
Total tax charge for the period	<u>66,472</u>	<u>141,642</u>

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

The calculation of the basic earnings per share amount for the period 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 less treasury shares held by the Group during the period.

The Company had no potentially dilutive ordinary shares in issue during the periods and the share options of the Company's subsidiary outstanding during the period also had no dilutive effect on the basic earnings per share amount presented for the periods.

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>99,269</u>	<u>412,692</u>
	Number of shares	
	2020	2019
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue	17,397,520	17,705,130
Less: Weighted average number of treasury shares	<u>(423,000)</u>	<u>(423,000)</u>
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>16,974,520</u>	<u>17,282,130</u>

9. INTERIM DIVIDEND

On 25 November 2020, the Board declared an interim cash dividend of HK0.1 cent per share (six months ended 30 September 2019: HK0.1 cent per share), totalling HK\$17,398,000 (six months ended 30 September 2019: HK\$17,398,000).

10. LOANS AND INTEREST RECEIVABLES

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
Loans and interest receivables, secured	(i)	473,086	433,577
Loans and interest receivables, unsecured	(ii)	104,058	115,112
		577,144	548,689
Less: Impairment allowance		(15,834)	(28,830)
		561,310	519,859
Less: Loans and interest receivables classified as non-current assets		(11,336)	(11,336)
Current portion		549,974	508,523

Notes:

- (i) These loans receivable are stated at amortised cost at effective interest rates ranging from 10% to 36% (31 March 2020: 8.16% to 33%). The credit terms of these loans receivable range from 3 months to 10 years (31 March 2020: 2 months to 10 years). The carrying amounts of these loans receivable approximate to their fair values.
- (ii) These loans receivable are stated at amortised cost at effective interest rates ranging from 8% to 15% (31 March 2020: 1% to 15%). The credit terms of these loans receivable range from 6 months to 36 months (31 March 2020: 6 months to 36 months). The carrying amounts of these loans receivable approximate to their fair values.

11. TRADE RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade receivables	104,640	109,467
Less: impairment	(18,645)	(20,694)
	85,995	88,773

The Group's trading terms with its customers are mainly on credit. The credit period generally 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.

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 1 month	38,933	44,256
1 to 3 months	30,103	27,231
3 to 6 months	9,235	12,088
Over 6 months	7,724	5,198
	<u>85,995</u>	<u>88,773</u>

12. TRADE PAYABLES

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 1 month	63,129	40,188
1 to 3 months	7,482	3,625
3 to 6 months	2,607	4,470
Over 6 months	53,510	51,863
	<u>126,728</u>	<u>100,146</u>

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.1 cent (six months ended 30 September 2019: HK0.1 cent) per ordinary share for the six months ended 30 September 2020. The interim dividend will be payable on or around Monday, 11 January 2021 to those shareholders whose names appear on the register of members of the Company on Thursday, 24 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 December 2020 to Thursday, 24 December 2020, both dates inclusive, during which period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of share(s), accompanied by the relevant share certificate(s) with 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 Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 21 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2020, the Group's revenue and profit attributable to owners of the parent amounted to HK\$987.9 million (six months ended 30 September 2019: HK\$2,704.4 million) and HK\$99.3 million (six months ended 30 September 2019: HK\$412.7 million), respectively.

BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2020 decreased by 63.5% to HK\$987.9 million (six months ended 30 September 2019: HK\$2,704.4 million). The reduction in revenue is mainly due to a decrease in sales revenue from property segment as a result of lesser sales recognition from completion of properties sales. Profit attributable to owners for the six months ended 30 September 2020 was HK\$99.3 million (six months ended 30 September 2019: HK\$412.7 million), representing a decrease of 75.9% over the last period, mainly due to some of the existing projects under development are expected to complete in the second half of financial year 2021.

The Group continues to maintain a strong financial position.

As of 30 September 2020, the Group's net assets were HK\$9,344.2 million (31 March 2020: HK\$9,041.7 million), its cash resources amounted to HK\$1,994.0 million (31 March 2020: HK\$1,974.0 million) including cash and bank balances of HK\$1,475.9 million (31 March 2020: HK\$1,584.0 million) and short-term investments of HK\$518.1 million (31 March 2020: HK\$390.0 million). In aggregate, the total borrowings as of 30 September 2020 was HK\$6,779.9 million (31 March 2020: HK\$6,205.0 million) giving the Group a net debt position (total borrowings less cash and bank balances) of HK\$5,304.0 million (31 March 2020: HK\$4,621.0 million). The review of the individual business segments of the Group is set out below.

Property Development

Wang On Properties Limited (“**WOP**”, together with its subsidiaries, collectively the “**WOP Group**”), a non wholly-owned listed subsidiary of the Company, is a premium property development company with focus on Hong Kong residential and commercial property market. During the period under review, property development in Hong Kong recorded revenue of HK\$245.4 million (six months ended 30 September 2019: HK\$2,222.8 million) and contributed segment profit of HK\$55.8 million (six months ended 30 September 2019: HK\$768.7 million). The main contributor to the segment revenue was mainly due to the delivery of the remaining stocks of residential units in the project, The Met. Acappella.

Moreover, property sales in the People's Republic of China (the “**PRC**”) began to recognize following the acquisition in February 2020 of a controlling interest in China Agri-Products Exchange Limited (“**CAP**”, together with its subsidiaries collectively, the “**CAP Group**”) by Wai Yuen Tong Medicine Holdings Limited (“**WYTH**”, together with its subsidiaries, collectively, “**WYT Group**”) (the “**CAP Acquisition**”) which is an indirect non wholly-owned listed subsidiary of the Company. During the period under review, property development in the PRC recorded revenue of HK\$109.0 million (six months ended 30 September 2019: Nil) and contributed segment profit of HK\$10.3 million (six months ended 30 September 2019: Nil).

maya by NOUVELLE

“**NOUVELLE**” is a new luxury residential brand series. The brand's first premium luxury residential project, “maya”, is located at No. 8 Shung Shan Street and No. 15 Sze Shan Street, Yau Tong. This residential project is co-developed by the WOP Group and CIFI Holdings (Group) Co. Ltd. (“**CIFI**”). The WOP Group holds a 50% stake in the project. As at the date of this announcement, 266 out of 308 units released have been sold with an aggregated contracted sales amount of HK\$3.1 billion. The certificate of compliance was issued in October 2020 and handover to buyers is undergoing.

Altissimo

The residential project, Altissimo, located at No. 11 Yiu Sha Road, Ma On Shan, is co-developed by the WOP Group, Country Garden Holdings Company Limited and China State Construction International Holdings Limited and was launched in December 2018. The project features its prime location in front of Starfish Bay, an ecological treasure in the natural reserve area, and with Ma On Shan Country Park at its back. It also enjoys the unparalleled natural advantage with the picturesque view of Pat Sin Leng and within walking distance of the Whitehead Club. Adding top-class construction materials and delicate designs to its strength, the project will set a new model of new premium residential projects in that area. As at the date of this announcement, 472 of the 547 units released have been sold with an aggregated contracted sales amount of HK\$4.4 billion. The certificate of compliance was issued in October 2020 and handover to buyers is undergoing. The WOP Group owns 40% equity interest in this property development project.

Pokfulam residential project

In April 2018, the WOP Group completed the acquisition of all the 16 properties located at Nos. 86A–86D Pokfulam Road, Hong Kong. The site will be redeveloped into luxurious properties and is undergoing the site work. The WOP Group owns 70% equity interest in this property development project.

Tsing Yi residential project

The new “The Met.” project located at the junction of Liu To Road and Hang Mei Street, Tsing Yi (Tsing Yi Town Lot No. 192) is undergoing the superstructure work. The land is situated within a developed community with comprehensive amenities, including large shopping malls such as Maritime Square, as well as Tsing Yi Park, Tsing Yi Sports Ground and Tsing Yi Swimming Pool, that can provide a wide variety of leisure and shopping choices for residents. It also has the convenience of easy accessibility, being within several minutes’ ride to Tsing Yi MTR Station, and is also connected with major highways, including Tsing Ma Bridge, Tai Lam Tunnel, and Ting Kau Bridge of Tuen Mun Road. It can be used for both commercial and residential development and is designed to provide a public transportation terminal (minibus station). The project is wholly-owned by the WOP Group. The application of pre-sales consent was in progress and it is expected that the pre-sale will be taken place next year.

Ap Lei Chau project

In July 2020, the WOP Group has successfully acquired a new redevelopment site located at Nos. 120–126, Main Street, Ap Lei Chau. The total attributable gross floor area upon redevelopment is approximately 37,100 square feet and the project is wholly-owned by the WOP Group.

Other projects

In October 2020, the WOP Group and CIFI formed a new joint venture, in which CIFI and the WOP Group own 60% and 40% equity interest, respectively. The joint venture entered into sale and purchase agreements with two independent third parties to acquire two sites on King's Road in Fortress Hill for a total sum of HK\$1.88 billion. The total site area is approximately 20,800 square feet and the sites are situated between North Point commercial area and Victoria Park in Causeway Bay. The sites are positioned at a convenient location within only a few minutes' walking distance to Fortress Hill MTR Station. The sites are planned to be redeveloped into a residential project with commercial space. The acquisition is expected to be completed in January 2021.

The WOP Group is currently in possession of four urban redevelopment projects with over 80% ownerships secured. All projects have been proceeded to court for compulsory sales under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong). In the event that no court order is granted, the WOP Group may not be able to complete the consolidation of the ownership for development. The total attributable gross floor area upon redevelopment is approximately 237,000 square feet.

As at 31 October 2020, the Group had a development land portfolio as follows:

Project	Approximate site area (square feet)	Approximate gross floor area (square feet)	Intended usage	Anticipated year of completion
maya by NOUVELLE	41,000	272,000	Residential and Commercial	2020
Altissimo	253,000	388,000	Residential	2020
Pokfulam residential project	28,500	28,500	Residential	2022
Tsing Yi residential project	14,400	90,000	Residential and Commercial	2022
Ap Lei Chau project	3,600	37,100	Residential and Commercial	2024

Fresh Markets

The fresh market business segment, which is a consistent source of profit and cash, recorded an increase in revenue by 213.6% to HK\$302.6 million (six months ended 30 September 2019: HK\$96.5 million) as a result of additional revenue of HK\$168.2 million from the operation of agricultural produce exchange markets contributed by the CAP Group, following the CAP Acquisition. Moreover, there was new revenue streams brought by butchery business of HK\$42.2 million. Segment profit increased by 125.6% to HK\$44.6 million (six months ended 30 September 2019: HK\$19.8 million).

The Group's fresh market business has been built over the past two decades. During the reporting period, the Group managed a substantial portfolio of approximately 800 stalls under the "Allmart" brand and "Day Day Fresh" brand of fresh markets in Hong Kong with a total gross floor area ("GFA") of over 200,000 square feet. In order to meet the rising customer expectations, the Group strives to offer a more comfortable and spacious shopping environment through well-designed layouts, enhancement works and high quality management services. We will continue to strengthen the partnership with our tenants and local communities by launching effective marketing and promotion events, and thereby improving shopping experiences at our fresh markets. During the period under review, the Group continued to locate high population density areas to set up fresh markets and mini fresh markets.

Along with the existing fresh market business on a stable footing, the Group had commenced building a portfolio of self-owned fresh markets in Hong Kong through joint ventures.

In May 2019 and July 2019, joint ventures of the WOP Group have successfully acquired a retail podium located at Lake Silver in Ma On Shan and a commercial accommodation at The Parkside in Tseung Kwan O respectively. The Group has refurbished part of these properties as fresh markets and taken up the management of the properties under the brand "Day Day Fresh". The fresh markets have been operated since May 2020 and January 2020 respectively. The Group is confident that our expertise in property investment and fresh market operation shall deliver strong synergy to create unique business value to fuel further growth in this segment.

In October 2019, we entered into the butchery business by capturing synergies with our existing fresh market operations. We aim to seize the opportunities in every manner possible, focusing on building a chain of butchery shops with a strong cash flow and steady operating profit. For the six months ended 30 September 2020, the butchery business generated revenue of approximately HK\$42.2 million (six months ended 30 September 2019: Nil). We believe that the pork dietary habit of the Hong Kong people, combined with our well established fresh market network, can allow for rapid growth and a relatively low-risk development of this new business. Our target is to continue expand the butchery stores and drive to optimise the operation platform of fresh market and butchery business so as to maximise synergies. As at the date of this announcement, 11 butchery stores were in operation.

In mainland China, the Group operates fresh market business through its joint venture under the “Huimin” brand in various districts of Shenzhen, Guangdong Province, the PRC. The joint venture currently manages a portfolio of approximately 800 stalls with a GFA of approximately 264,000 square feet, in which approximately 166,000 square feet are owned by the joint venture. Following the issuance of urban redevelopment policy by Shenzhen Government, some of the fresh markets may be affected. The Group will continue to closely monitor the latest developments, particularly the impact on the land-use rights of its fresh market properties.

Following the CAP Acquisition, the Group, through CAP, now operated 11 agricultural produce exchange markets across five provinces in the PRC. The acquisition of these agricultural produce exchange markets expanded significantly our presence in the fresh market segment in the PRC. CAP Group operates various agricultural produce exchange markets in Hubei, Henan, Guangxi Zhuang Autonomous Region, Jiangsu Province and Liaoning Province of the PRC.

Property Investment

As at 30 September 2020, our owned investment properties in Hong Kong comprised of commercial and residential units with a total carrying value of approximately HK\$1,095.9 million (31 March 2020: approximately HK\$1,058.4 million).

During the reporting period, we received gross rental income of approximately HK\$11.8 million (six months ended 30 September 2019: HK\$7.1 million).

During the reporting period, we continued to dispose of secondhand residential properties and realised HK\$5.2 million. As at 30 September 2020, we still held 9 secondhand residential properties with valuation of HK\$55.1 million.

Pharmaceutical and Health Food Products Business

WYTH, a non wholly-owned listed subsidiary of the Company, is a pharmaceutical company with focus on manufacturing and/or retailing of pharmaceutical and health food products. The period under review was a challenging year for our pharmaceutical and health food products segment with revenue totaling HK\$226.1 million (six months ended 30 September 2019: HK\$269.3 million), representing a drop of 16.0%. The continuous COVID-19 pandemic and the necessary anti-epidemic measures have unavoidably hurt the inbound tourism, which directly impact on our retail sales, in particular for those districts where were originally very popular with the mainland Chinese tourists.

Chinese Pharmaceutical and Health Food Products

Total sales of the Chinese pharmaceutical and health food products decreased by 2.8% to HK\$209.0 million (six months ended 30 September 2019: HK\$215.1 million). The Group continued to promote and develop a series of traditional Chinese medicine (“TCM”) healthcare products for common diseases of urban people. Stroke prevention supplementation is a fast growth market in Hong Kong in which “Wai Yuen Tong” has three series of TCM products to cover the market: namely Angong Niu Huang Wan, Angong Zaizao Wan and Angong Jiangya Wan. The series is registered in Hong Kong according to ancient prescriptions or nationally recognised prescription and its whole production process is carried out at our Good Manufacturing Practice (“GMP”) or The Pharmaceutical Inspection Co-operation Scheme (“PIC/S”) factory in Yuen Long, Hong Kong. During the existing pandemic environment, Angong Niu Huang Wan is considered a good health product which is increasingly popular in the market from time to time.

The WYT Group targeted better cost efficiency through further optimisation of its retail sales network and distribution channels. By the end of the reporting period, we had over 62 retail outlets affiliated with Chinese medical services in Hong Kong and five retail outlets in Macau. The enhanced distribution network helps strengthen the Group’s sales and brand recognition. A strong network has been laid down for a sustainable growth in the future.

We have been moving forward to secure trade customers portfolio that meet our key selection criteria of financial condition and sales abilities. “Wai Yuen Tong” brand is a reputable household name established over a century ago. We will continue to promote our brand value to maintain a leading market position in the Chinese pharmaceutical and health food product markets.

To focus on the TCM core businesses and enrich product mix on health supplement aspects is our primary strategy. The WYT Group has successfully launched supplements for pets named “PROVET” which is Hong Kong’s first-ever pet wellness product. The development of PROVET line is greatly welcome by the market as our supplements are made with Chinese herbs for dogs and cats and tailored to their health needs and ages.

Western Pharmaceutical and Health Food Products

Revenue of the Western pharmaceutical and health food products decreased by 68.5% to HK\$17.1 million (six months ended 30 September 2019: HK\$54.2 million) since the consumer sentiment remained weak for the period under review. Revenue of this business segment was affected due to the COVID-19 pandemic which has significant negative impact on cough and cold market. The two major product series, are “Madame Pearl’s” and “Pearl’s”. Madame Pearl’s is our brand for cough syrup while Pearl’s product series comprises MosquitOut spray, hand cream and itch-relief products. The two major product series are under this business segment encountered different challenges during the year. Nevertheless, during the year the WYT Group placed substantial resources in revamping its Western pharmaceutical and health care 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 WYT Group has engaged various local industry players to rejuvenate the penetration of its upper airway product series under the “Madame Pearl’s” brand into mainland China.

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

Treasury Management

The Group maintains a strong financial position. Liquid investments amounted to HK\$1,366.8 million at 30 September 2020, represents a decrease of 14.4% from the balance of HK\$1,597.2 million at 31 March 2020. The liquid investments represented 61.1% of the debt securities, 17.6% of equity securities and 21.3% of fund investment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the equity attributable to owners of the parent increased by 4.3% to HK\$6,115.5 million (31 March 2020: HK\$5,862.8 million). The Group’s total equity, including the non-controlling interests, increased to HK\$9,344.2 million (31 March 2020: HK\$9,041.7 million) as at 30 September 2020.

As at 30 September 2020, the Group’s total assets were HK\$20,002.7 million (31 March 2020: HK\$19,088.8 million). Total cash and bank balances held amounted to HK\$1,475.9 million (31 March 2020: HK\$1,584.0 million) as at 30 September 2020. The Group also maintained a portfolio of liquid investments with an aggregate market value of HK\$1,366.8 million (31 March 2020: HK\$1,597.2 million) as at 30 September 2020, which is immediately available for use when in need.

As at 30 September 2020, the Group's total debt amounted to HK\$6,779.9 million (31 March 2020: HK\$6,205.0 million). The Group's net debt to equity was approximately 56.8% (31 March 2020: 51.1%) as at 30 September 2020.

As at 30 September 2020, the Group's land and buildings, investment properties, properties under development, properties held for sale, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss with carrying value of HK\$438.7 million, HK\$2,378.4 million, HK\$3,572.3 million, HK\$1,009.1 million, HK\$641.4 million and HK\$30.3 million (31 March 2020: HK\$445.0 million, HK\$2,285.7 million, HK\$3,448.4 million, HK\$1,035.5 million, HK\$743.3 million and HK\$32.2 million) were pledged to secure the Group's general banking facilities.

The Group's capital commitment as at 30 September 2020 was amounted to HK\$966.2 million (31 March 2020: HK\$899.3 million) is mainly for property development business. The Group has given guarantee to a bank in connection with a facility granted to the joint venture up to HK\$890.7 million, which were utilised to the extent of HK\$309.2 million as at the end of the reporting period.

The Group provided guarantees of approximately of HK\$63.2 million to customers in favour of a bank of the loans provided by the banks to the customers of the properties sold (31 March 2020: HK\$63.5 million).

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. The management of the Group is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future. The Group operates a central cash management system. The Group prudently invests in liquid investment in order to obtain a reasonable return while maintain liquidity.

DEBT PROFILE AND FINANCIAL PLANNING

As at 30 September 2020, interest-bearing debt profile of the Group was analysed as follows:

	30 September 2020 HK\$'000	31 March 2020 HK\$'000
Bank loans repayable		
Within one year or on demand	2,510,157	2,656,906
In the second year	1,094,013	1,153,078
In the third to fifth years, inclusive	2,274,326	1,473,532
Beyond five years	254,686	291,523
	6,133,182	5,575,039
Other loans repayable		
In the second years	202,270	—
In the third to fifth years, inclusive	—	198,970
	202,270	198,970
Unsecured Notes(i)		
In the third to fifth years, inclusive	190,109	181,220
Convertible Notes (ii)		
In the second year	254,367	249,814
	6,779,928	6,205,043

(i) The Group's non wholly-owned listed subsidiary, CAP has issued unsecured notes with maturity in September 2024 (the "Unsecured Notes") which 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 30 September 2020 and 31 March 2020, the Unsecured Notes in the principal amount of HK\$290,000,000 remained outstanding.

(ii) The Group's non wholly-owned listed subsidiary, CAP, issued convertible notes with the aggregate principal amount of HK\$500 million on 19 October 2016 which will mature on 18 October 2021 (the "Convertible Notes"), which entitle the holders thereof to convert into the ordinary shares of CAP at a conversion price of HK\$0.4 per share. During the period under review, no Convertible Notes were converted into the shares of CAP ("CAP Shares") by the Convertible Notes' holders. As at 30 September 2020 and 31 March 2020, the Convertible Notes with the outstanding principal amount of HK\$264.8 million was in issue and maximum number of CAP Shares to be converted is 662,000,000 CAP Shares.

In order to meet the interest-bearing debts, business capital expenditure and funding needs for, inter alia, replenishment of the Group's land bank, enhancing our portfolio of properties for investment and/or payment of construction costs for the development of the property development projects, the Group had been from time to time considering various financing alternatives including but not limited to equity fund raising, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, and disposal of properties.

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

As at 30 September 2020, the Group held financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately HK\$1,026.5 million and HK\$340.3 million, respectively:

Nature of investments	Notes	As at 30 September 2020		Six months ended 30 September 2020			Fair value/ carrying amount		
		Amount held HK\$'000	Percentage to the Group's net assets %	Fair value gain/(loss) HK\$'000	Bond interest income HK\$'000	Dividends received HK\$'000	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000	Investment cost HK\$'000
Financial assets at fair value through other comprehensive income:									
A. Equity investment		224,916	2.4%	121,513	—	635	224,916	259,061	199,646
B. Debts investment									
Zhongliang Holdings Group Company Limited("Zhongliang")	1	157,400	1.7%	(1,743)	11,381	—	157,400	211,076	153,813
China South City Holdings Limited	2	154,299	1.7%	12,778	9,709	—	154,299	141,728	150,964
China Evergrande Group	3	82,680	0.9%	1,120	8,319	—	82,680	107,638	83,362
Others		407,217	4.3%	(18,656)	26,182	—	407,217	563,153	422,844
Sub-total		1,026,512	11.0%	115,012	55,591	635	1,026,512	1,282,656	1,010,629
Financial assets at fair value through profit or loss:									
A. Equity investments		15,196	0.2%	(17,587)	—	—	15,196	32,783	40,000
B. Funds									
Rockpool Capital SPC ("RCS")	4	184,853	2.0%	9,703	—	—	184,853	175,150	206,058
Others		106,226	1.1%	(10,012)	—	—	106,226	68,249	118,087
C. Bonds		30,294	0.3%	3,084	1,275	—	30,294	32,180	29,105
D. Others		3,738	—	(7,831)	—	—	3,738	6,220	—
Sub-total		340,307	3.6%	(22,643)	1,275	—	340,307	314,582	393,250
Total		1,366,819	14.6%	92,369	56,866	635	1,366,819	1,597,238	1,403,879

The principal activities of the securities are as follows:

1. Zhongliang is a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange. Zhongliang and its subsidiaries are principally engaged in property development, property leasing, and providing property management services and management consulting services.
2. China South City Holdings Limited is a company incorporated in Hong Kong with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange. China South City Holdings Limited and its subsidiaries are principally engaged in property development, investment in integrated logistics and trade centers, residential and commercial ancillary facilities, property management, development, operations and maintenance of an E-commerce platform and provision of advertising, exhibition, logistics and warehousing services, outlet operations and other services.
3. China Evergrande Group, is a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange. China Evergrande Group and its subsidiaries are principally engaged in property development, property investment, property management and property construction, the provision of hotel and other property development related services, insurance and fast consuming products business, mineral water production and food production.
4. On 18 April 2019, the Group executed the subscription forms in respect of the investment. The target underlying the investment is 25,000 Class C Shares with an initial net asset value of US\$25 million in a segregated portfolio of RCS. RCS is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability, and is an open-ended investment vehicle. Subject to the restriction that any single position in the segregated portfolio shall not exceed 10% of the net asset value of the entire segregated portfolio, there are no limitations on the markets or instruments that the segregated portfolio may invest in, or the percentage of the segregated portfolio's assets that may be committed to any region, market or instrument. Please refer to the joint announcement dated 18 April 2019 published by the Company and WYTH for details.
5. Save as disclosed above, the Group also invested in other shares listed on the Stock Exchange. The fair value of each of these shares represented less than 1.0% of the net assets of the Group as at 30 September 2020.
6. Save as disclosed above, the Group also invested in other bonds and funds, the fair value of each of these bonds and funds represented less than 1.0% of the net assets of the Group as at 30 September 2020.

The CAP Acquisition

In the last financial year on 12 February 2020, the WYT Group acquired and became the owner of 5,312,395,685 CAP shares, representing approximately 53.37% of the CAP shares in issue and WYT Group, together with parties acting in concert with it, held 7,464,800,866 CAP shares, representing approximately 75% of the CAP shares in issue.

CAP Group operates 11 agricultural produce exchange markets across five provinces in the PRC.

EOG privatization

On 4 May 2020, Caister, a company wholly-owned by the Company's controlling shareholder, Mr. Tang Ching Ho, requested the board of Easy One Financial Group Ltd. ("**EOG**", an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which were listed and traded on the Main Board of the Stock Exchange (stock code: 221)) to put forward the proposal to the other shareholders of EOG for the privatisation of EOG (the "**Proposal**") by way of a scheme of arrangement (the "**Scheme**") under Section 99 of the Bermuda Companies Act 1981 (the "**Companies Act**").

Pursuant to the Proposal, all the ordinary shares of HK\$0.01 each in EOG (the "**Scheme Shares**") were cancelled in exchange for the consideration comprising the cash consideration of HK\$0.3 per Scheme Share and the consideration shares on the basis of eight (8) ordinary share(s) of HK\$0.01 each of the Company as held by Caister, for each Scheme Share (collectively, the "**Consideration**"). The Proposal, upon implementation, constituted a discloseable and connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

On 26 August 2020, at the respective special general meetings of the Company and WYTH, the independent shareholders of the Company and WYTH have respectively approved the Proposal and the disposal of the Scheme Shares held by WYT Group in exchange for the Consideration. On 8 September 2020, the resolution proposed at the meeting of the shareholders of the Scheme Shares ("**Scheme Shareholders**") to approve the Scheme was duly passed by the Scheme Shareholders. On 17 September 2020, the Scheme was sanctioned by the Supreme Court of Bermuda without modification. The Scheme eventually became effective on 16 October 2020 when all the conditions to the implementation of the Proposal were fulfilled.

Details of the EOG privatization were set out in the joint announcement published by the Company, WYTH, EOG and Caister dated 4 May 2020; the scheme document dated 12 August 2020 jointly issued by EOG and Caister in relation to the Proposal and the Scheme; the circulars of the Company and WYTH dated 24 July 2020 respectively and their respective poll results announcements dated 26 August 2020 in respect of the disposal of the entire shareholdings in EOG of the Company and WYTH; the respective joint announcements of EOG and Caister dated 8 September 2020, 18 September 2020, 12 October 2020 and 16 October 2020.

LITIGATION

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

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

In mainland China, proceedings concerning Ms. Wang, Tian Jiu and the CAP Group:

Major allegations of Ms. Wang and Tian Jiu included the following:

- a) it is alleged that 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) it is alleged that Baishazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce (“**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) it is alleged that 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 March 2020, CAP noted the judgment of the Supreme People’s Court dated 31 December 2019 (“**31 December Judgment**”). In the 31 December Judgment, the Supreme People’s Court dismissed the application of Ms. Wang and Tian Jiu for retrial and for dismissal of (i) the judgment of the Beijing Second Intermediate People’s Court dated 31 March 2017 (“**31 March Judgment**”) (which dismissed the application made by Ms. Wang and Tian Jiu to revoke the decision issued by MOFCOM that its approval issued in relation to the Contended Agreements shall not be revoked and shall remain to be in force), and (ii) the judgment of the Beijing High People’s Court dated 20 December 2018 (which upheld the ruling of the Beijing Second Intermediate People’s Court in the 31 March Judgment).

In other words, in the opinion of the Directors and as advised by the PRC legal adviser, 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 under the PRC Laws.

This is consistent with the judgment issued by the Higher People’s Court of Hubei Province in December 2019 which dismissed the counterclaims made by Ms. Wang and Tian Jiu against CAP therein for orders that (i) the share transfer agreements in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the “**Contended Interests**”) were void and invalid from the beginning, (ii) costs of the legal proceedings be paid to Ms. Wang and Tian Jiu, and (iii) the Contended Interests be returned to Ms. Wang and Tian Jiu.

In Hong Kong, CAP as plaintiff against Ms. Wang and Tian Jiu as defendant:

In 2011, CAP issued a Writ of Summons in the Hong Kong Court of First Instance (the “**Court**”) 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 sales and purchase agreements for the Baisazhou Acquisition (the “**SPA**”).

In 2012, CAP obtained a court order from the Court to 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 by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by CAP on 5 December 2012. The parties are waiting for the Court to hand down the judgement.

For details with regard to the civil proceedings which the CAP Group has been involved in, please refer to the interim/annual reports and announcements issued by the CAP Group.

FOREIGN EXCHANGE

The management of the Group is of the opinion that the Group has no material foreign exchange exposure and therefore, the Group does not engage in any hedging activities. As at 30 September 2020, the Group held limited amount of foreign currency deposits, while all bank borrowings are denominated in Hong Kong dollars. The revenue of the Group, also being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirements of the Group's operating expenses.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 2,138 (31 March 2020: 2,037) employees, of whom approximately 39% (31 March 2020: 38%) were located in Hong Kong and the rest were located in mainland China. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. 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 all eligible employees in Hong Kong and had launched a defined scheme of remuneration and promotion review to accommodate the above purpose and review is normally carried out annually. Other forms of benefits such as medical and retirement benefits and structured training programs are also provided.

PRINCIPLE RISKS AND UNCERTAINTIES

The Group has reviewed the principal risks and uncertainties which may affect its businesses, financial condition, operations and prospects based on its risk management system and considered that the major risks and uncertainties that may affect the Group included (i) Hong Kong economic conditions which may directly affect the property market; (ii) availability of suitable land bank for future development; (iii) the continuous escalation of construction cost in Hong Kong in recent years; (iv) business cycle for property under development may be influenced by a number of factors and the Group's revenue will be directly affected by the mix of properties available for sale and delivery; (v) all construction works were outsourced to independent third parties and they may fail to provide satisfactory services adhering to our quality and safety standards or within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) credit risk and recoverability of provision of loans which may incur bad debts during the downturn of economy; (viii) loss of management contracts for fresh markets which may arise in light of severe competition with existing market players and entry of new participants into the market; (ix) industrial policy risk and supply chain disruption for pharmaceutical business; and (x) internet risk. Moreover, following the acquisition of CAP by the WYT Group since the last financial year, further risks and uncertainties have been identified including (xi) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, and (xii) industrial policy risk for development, construction, operations and acquisition of agri-produce exchange markets.

In response to the abovementioned possible risks, the Group has a series of internal control and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

PROSPECTS

We believe 2020 will be a year of challenge. Apart from the continual of the US-China disputes in various aspects, the continuing COVID-19 pandemic throughout the period under review has posed a new threat to all countries around the world. Measures taken by different countries to contain the spread of the pandemic, including quarantine arrangements, operation suspension and travel restrictions, have led to various challenges to many businesses. As a result, corporate closure and unemployment rate are expected to escalate. Nevertheless, as the pandemic began to be brought under control in the PRC and in Hong Kong, together with the successful development of vaccine, the performance of various segments of the Group will gradually be restored.

In respect of the property development segment in Hong Kong, it is noted that the Hong Kong economy has been adversely affected by the continuation of COVID-19 pandemic and global uncertainties hinder the economy recovery. Nevertheless, the current low interest rate environment and a series of relief measures launched by the Hong Kong government aimed to support businesses and secure employment, the residential property sector is expected to remain resilient over the long term.

The Group will continue to monitor the market changes closely whilst keep looking for opportunities in property acquisition and collaboration with strategic partners to strengthen the real estate business.

The fresh market operations have been a cash flow generating and profitable business over the past decades. The fresh market segment continues to grow steadily in Hong Kong and is expected to provide stable recurring income and cash flow to the Group. The Group expects to expand its fresh market portfolio by collaborating with landlords and identifying opportunities to acquire additional fresh markets in both public and private sectors in Hong Kong to strengthen its recurring income.

Moreover, following the acquisition of CAP through the WYT Group in the last financial year, the Group, through CAP, now operates 11 agricultural produce exchange markets across five provinces in the PRC. Such acquisition has significantly expanded the Group's presence in the fresh market segment and the property development segment in the PRC. Looking ahead, the Group will continue to build a nationwide agricultural produce exchange network by leveraging its leading position in the industry, replicable business model, advanced management system and IT infrastructure and quality customer service. Agricultural development is one of the main development focuses of the PRC government in the next few years, and major growth in the agriculture sector is expected to be driven by the "Belt and Road Initiative". The Group will continue to capture new business opportunities by cooperating with partners to adopt an 'asset light' approach. Given the Group's leading position on the market and dynamic business model, the Group is confident that it will deliver long-term benefits to the Group.

"Wai Yuen Tong", a reputable pharmaceutical household brand and was established over a century ago. Current trading environment for pharmaceutical and health food products in Hong Kong, Macau and the PRC have been affected due to US-China trade war and the COVID-19 pandemic. Moreover, decrease in mainland tourist visits and rigid industry policies may continue to curtail and negatively impact retail performance. Nevertheless, as the epidemic situation was largely under control in the past two months, and the recovery of the mainland China economy also rendered support to our performance, the overall economic situation showed signs of stabilization during the quarters. The Group will continue to closely monitor the performance of its distribution channels and retail network.

In order to maintain the Group's competitive advantage, it will strategically restructure, integrate retail outlets and build a team of experienced and well-trained Chinese medicine practitioners to serve its customers. The Group's ambition is to build one of the largest teams of Chinese medicine practitioners in Hong Kong through WYTH. The Group intends to leverage its brand value to strengthen its partnerships and boost its franchising model to maximise its retail exposure and lower overall operational risk and costs.

With Hong Kong and PRC government's active push for TCM, including preferential policies and cross-border cooperation between Hong Kong and the Guangdong-HongKong-Marco-Greater Bay Area, the market for Chinese pharmaceutical medication and supplements manufactured in Hong Kong is set to expand rapidly in the next decade. Further, the Group's Western pharmaceutical business is expected to achieve favourable growth driven by the sale of cough syrup to private clinics in Hong Kong and the PRC.

In summary, the overall strong financial position of the Group and the expected continued growth through its diversified business enable the Group to have a high degree of flexibility and agility for its treasury management. We will continue a proactive and prudent investment approach to drive business growth on all business segments.

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 2020.

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 for the six months ended 30 September 2020, except for the following deviation:

Code provision A.5.1 of the CG Code provides that the nomination committee should comprise a majority of independent non-executive directors. During the period under review, the nomination committee of the Company (the "**Nomination Committee**") did not have majority of independent non-executive Directors (the "**INED**") which deviated from the requirement of code provision A.5.1 of the CG Code. The Company did not have immediate intention to make any change to the composition of the Nomination Committee for all members of the Nomination Committee have extensive experience in different aspects in the industry of the Group to identify and nominate right candidate to the right position to lead to the success of the Group.

Ms. Mak Yuen Ming, Anita had tendered her resignation as the company secretary of the Company (“**Company Secretary**”) with effect from 10 November 2020. The Company is in the process of identifying suitable candidate to fill in the vacancy of Company Secretary as soon as practicable. Further announcement will be made as and when appropriate.

The Group is committed to reviewing and 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 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 terms 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 up to the date of this announcement and no incident of non-compliance by the Directors was noted by the Company during the period under review.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific 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 management the unaudited condensed consolidated financial information for the six months ended 30 September 2020 of the Group. The Audit Committee comprises three INEDs, namely Mr. Wong Chun, Justein, Mr. Siu Kam Chau and Mr. Chan Yung. Mr. Siu Kam Chau was elected as the chairman of the Audit Committee.

PUBLICATION OF INTERIM 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.wangon.com). The 2020 interim report of the Company 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
WANG ON GROUP LIMITED
(宏安集團有限公司)*
Tang Ching Ho
Chairman

Hong Kong, 25 November 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Mr. Chan Chun Hong, Thomas, and three independent non-executive Directors, namely Mr. Wong Chun, Justin, Mr. Siu Kam Chau and Mr. Chan Yung.

* *For identification purpose only*