WANG ON GROUP LIMITED
宏 安 集 團 有 限 公 司

Incorporated in Bermuda with limited liability

Stock Code: 1222

ANNUAL REPORT 2017

MIX
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS, JP*, *Chairman*
Ms. Yau Yuk Yin, *Deputy Chairman*
Mr. Chan Chun Hong, Thomas, *Managing Director*

Independent Non-executive Directors

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

AUDIT COMMITTEE

Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*, *Chairman*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Kam Chau

REMUNERATION COMMITTEE

Mr. Wong Chun, Justein, *BBS, MBE, JP*, *Chairman*
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau
Mr. Tang Ching Ho, *SBS, JP*
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

NOMINATION COMMITTEE

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*, *Chairman*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau
Mr. Tang Ching Ho, *SBS, JP*
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

INVESTMENT COMMITTEE

Mr. Tang Ching Ho, *SBS, JP*, *Chairman*
Mr. Chan Chun Hong, Thomas
Mr. Siu Kam Chau

EXECUTIVE COMMITTEE

Mr. Tang Ching Ho, *SBS, JP*, *Chairman*
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

AUTHORISED REPRESENTATIVES

Mr. Tang Ching Ho, *SBS, JP*
Mr. Chan Chun Hong, Thomas

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITOR

Ernst & Young

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

BOARD LOT

20,000 shares

INVESTOR RELATIONS

Email: pr@wangon.com

HOMEPAGE

www.wangon.com

STOCK CODE

1222

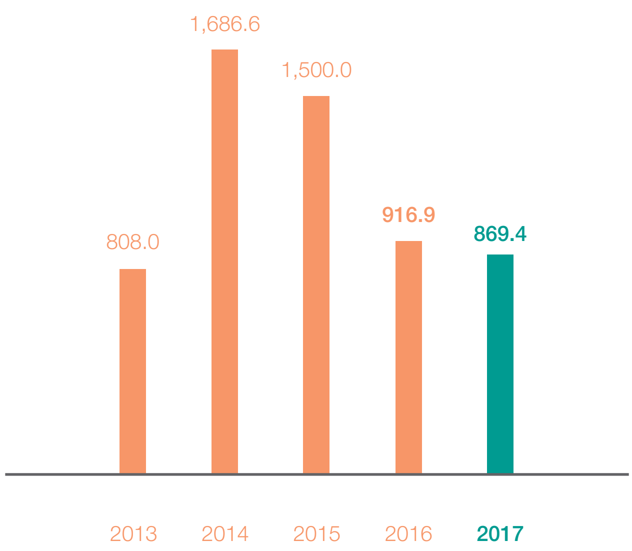
FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 MARCH		
	2017	2016	Change
Revenue	**HK$869.4 million**	HK$916.9 million	↓ 5.2%
Profit attributable to owners of the parent	**HK$423.7 million**	HK$449.1 million	↓ 5.7%
Basic earnings per share	**HK2.22 cents**	HK2.30 cents	↓ 3.5%
Total dividends per share	**HK0.6 cents**	HK0.6 cents	– –

	AT 31 MARCH		
	2017	2016	Change
Total assets	**HK$13.63 billion**	HK$7.04 billion	↑ 93.6%
Net assets	**HK$6.43 billion**	HK$4.56 billion	↑ 41.0%
Net asset value per share	**HK$0.33**	HK$0.24	↑ 37.5%
Gearing ratio	**37.1%**	20.2%	↑ 16.9%

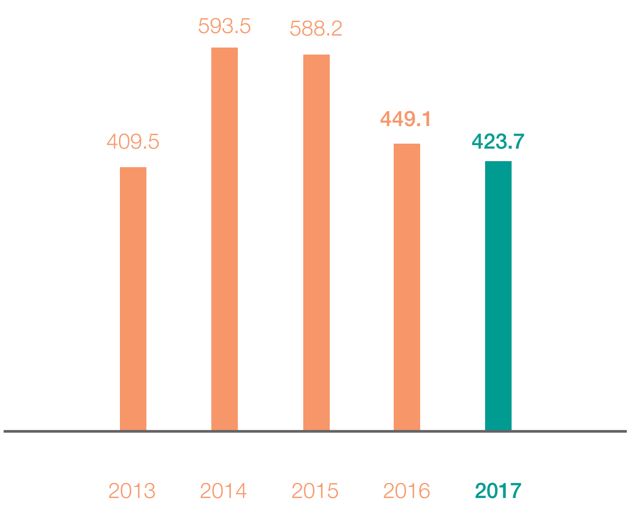
REVENUE

HK$ million

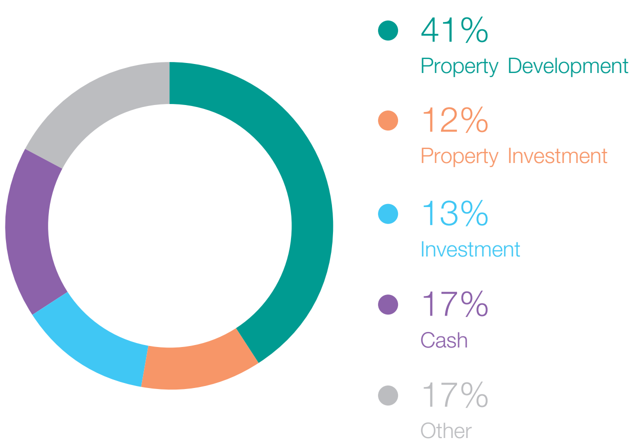


PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

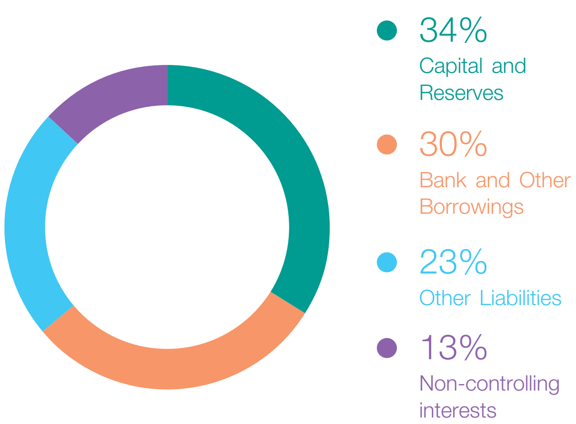
HK$ million



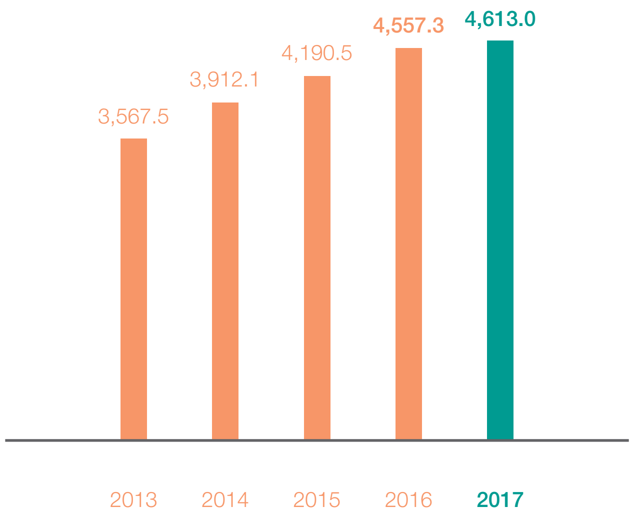
ASSETS EMPLOYED
As at 31 March 2017



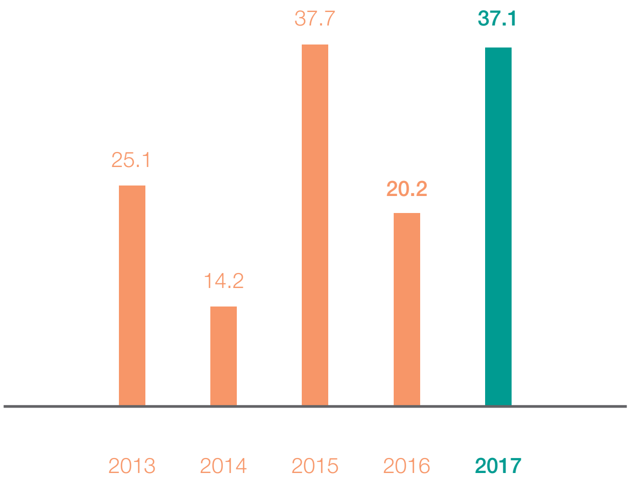
CAPITAL AND LIABILITIES
As at 31 March 2017



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT
HK$ million



GEARING RATIO
Percentage



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "***Board***" or the "***Directors***") of Wang On Group Limited (the "***Company***"), I am pleased to announce the annual results of the Company and its subsidiaries (collectively the "***Group***") for the year ended 31 March 2017 (the "***year under review***").

Dear Shareholders,

REVIEW OF THE YEAR

The overall economic performance of Hong Kong was evenly stable during the year of 2016. The territory's gross domestic product in 2016 increased by 1.9%, better than the general consensus estimation. Retail sales continued to shrink. According to the statistics released by the Hong Kong Tourism Board, the visitor arrivals from the mainland China in 2016 dropped by 6.7% compared to 2015. Hampered by weaker inbound tourists expenditure, Hong Kong's retail sector had been in struggle and recorded an 8.1% year-on-year decline in aggregate retail sales value in 2016. One bright spot rested on the continually resilient local property market, which was primarily driven by the strong liquidity and low interest rate environment of the territory. The sizeable inelastic demand subsisting in the domestic market and the large volume of capital influx from the mainland China continued to fuel the growth of Hong Kong property market.

BUSINESS PERFORMANCE

Wet market segment

While a number of our wet markets had been undergoing renovation works during the year under review, which led to temporary business closure for some of our tenants, the wet market segment still recorded a year-on-year revenue growth. The Group, being one of the largest leasing operators of Chinese wet market in Hong Kong, aspires to bring convenience and top quality shopping experience to the public. Our Chinese wet market portfolio comprised of 11 "Allmart" branded Chinese wet markets in Hong Kong and 17 "Huimin" branded markets in various districts like Shenzhen in Guangdong Province, the People's Republic of China (the "**PRC**"). During the year, renovation of Tin Chak market in Tin Shui Wai and Lee On market in Shatin, Hong Kong were completed. With better store layouts, lighting and air-conditioning systems, the markets offer a more comfortable shopping environment and fresh image to consumers. The Shui Chuen O market in Shatin, Hong Kong has commenced operation in full since June 2016.

For many years we have been devoting effort to marketing and promotion, the brand awareness and public recognition of the "Allmart" and "Huimin" brands has been further enhanced. Coupled with a effective operational management, our wet markets continue to demonstrate strong operating performance. For our wet markets in mainland China, modernised operation model had been adopted which helped to differentiate the "Huimin" brand markets from those by other participants. We will keep close attention to the market development and identify suitable opportunities to accelerate our business growth.

Property segment

Wang On Properties Limited ("**WOP**", together with its subsidiaries collectively the "**WOP Group**") was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 April 2016 by way of spinning-off from the Company. It possesses a balanced property portfolio, comprising residential and commercial property under development and investment properties. It provides the largest source of stable and diversified income for the Group. During the year under review, it continued to show constant progress and performance in its operations.

For residential property development, WOP concentrates on small-to-medium sized units targeting at nuclear families and home purchasers of the younger generations. During the year, WOP launched the pre-sale of two projects "The Met. Blossom" and "The Met. Bliss" in Ma On Shan, Hong Kong, most units of which were sold in the first several weeks following its respective launch. For commercial property development, the Group's Ginza type commercial project "LADDER Dundas" will be completed by the fourth quarter of 2017.

At the same time, the Group holds an outstanding portfolio of investment property, which includes premium office properties, shops and parking spaces for rent and investment. It provides WOP with solid recurring cash flow and opportunities of capital appreciation.

Pharmaceutical segment

Following completion of the rights issue of Wai Yuen Tong Medicine Holdings Limited ("**WYTH**", together with its subsidiaries collectively the "**WYTH Group**") in September 2016, the Group's equity interest in WYTH was increased to approximately 51.32% and WYTH became a subsidiary of the Group since then. Facing with the downturn of retail market in Hong Kong and the share of loss of an associate, WYTH recorded a net loss for the year under review.

As the "century-old well-established brand and a Hong Kong brand", WYTH develops and introduces new products and services that keep up with the changes in the market and customer consumption pattern to satisfy customers' needs. In terms of sales and marketing, the management of WYTH would continue exploring new sales channels and promotion approaches, including comprehensive use of social media for brand recognition enhancement as well as interaction with its customers. Currently, WYTH has set up over 60 shops in Hong Kong.

In early 2017, the construction of the new GMP factory in Yuen Long Industrial Estate has been completed and commenced operation. It has received the "PIC/S" certification of the European Union from the Therapeutic Goods Administration of Australia earlier this year. With a total factory investment of approximately HK$600 million and a gross floor area of more than 213,000 sq.ft, it will boost the overall production volume by approximately 130%. The operation of the new factory improved the quality control over the products of WYTH.

GIVING BACK TO COMMUNITY

The Group plays an active role in community events, including sponsoring charity projects and assigning volunteer teams to offer comprehensive support to charitable organisations. During the year under review, staff members are encouraged to take part in outdoor sports events, such as "The 2016/2017 Hong Kong & Kowloon Walk" of The Community Chest of Hong Kong and "Po Leung Kuk Charity Run 2016", to improve their physical and mental health. In addition, the Group supports environmental protection initiatives and participated at the "Food for Thought" in the Tin Shui Wai community to collect leftovers in Tin Chak wet market at Tin Shui Wai, Hong Kong. The Group also extends its care to the disadvantaged in the society through rice donations to several charitable organisations, including Tin Shui Wai Women Association, Fresh Fish Traders' School, Hong Kong New Arrivals Services Foundation and Buddhist Society For The Aged, etc. For our relevant environmental protection, social and governance works during the year, please refer to the Group's environmental, social and governance report.

FUTURE OUTLOOK

Despite the economic uncertainties in many countries around the globe due to impacts from geopolitical risks, accelerating interest rate hike in the United State and change in leadership of Hong Kong, the United States and several European countries, the Group remains prudently optimistic about the global economy and prospect. In the shadow of political tensions in the Korean Peninsula and terrorism in Europe, the Group expects that more tourists from the mainland and overseas will prefer to travel to Hong Kong, which facilitate the overall recovery of the retail market. The Group will enhance its internal risk control and management system and boost operation efficiency in order to respond to the volatile market environment and actively explore new market opportunities.

The Group will continue to optimise its wet market facilities in Hong Kong and the mainland. With extensive experience in the management of Chinese wet markets, the Group will implement the 4th generation modern wet market model to fend off the challenges from chain supermarkets and expand the wet market network, thereby creating a more comfortable and convenient shopping experience for customers in Hong Kong as well as the mainland.

Entering 2017, the property market in Hong Kong has been rejuvenated with satisfactory sales performance from newly launched developments. The Group expects the "rigid demand" in Hong Kong to be beneficial to the healthy development of its property market. Nevertheless, in respect of land acquisition, as the investment spree from mainland developers continues, local developers are under considerable pressure, resulting in short term impact on the market. The Group is cautiously optimistic towards the outlook of the property market and believes that healthy competition may foster economic development.

In the middle of 2017, the Group will launch "The Met. Acappella", the residential development in Tai Po Road, Shatin, Hong Kong. The construction of which is expected to be completed by 2019 that will further enhance our cash flow. The Group is aggressive in replenishing its land bank. In addition to the residential land in Whitehead, Ma On Shan, Hong Kong, an agreement has been reached with regard to the premium payment arrangement for No. 13-15 Sze Shan Street, Yau Tong, Hong Kong. Through government land tenders, the Group has obtained abundant resources of land for future development. Meanwhile, the Group is exploring investment opportunities in acquiring commercial and industrial properties to develop an all-round asset portfolio with flexibility to adapt to the evolving market challenges.

Year 2017 marks the 120th anniversary of "Wai Yuen Tong", being a significant milestone to the Group. As our new GMP factory in Yuen Long, Hong Kong commences operation, there will be a significant boost in the number of product researches and it is expected that more new and high valued-added products will be developed, including Angong Niuhuang Wan and Angong Jiangya Wan which will be launched in the second half of the year. The factory located in Pingshan, Shenzhen, the PRC is expected to receive "Certificate of GMP for Pharmaceutical Products" and "Drug Production License" from Guangdong Food and Drug Administration of the PRC in the second half of the year. Upon operation, it can produce over 300 Chinese medicine products. Led by the PRC's "Belt and Road" initiative, the Chinese medicine market in PRC will be increasingly accessible and WYTH is determined to seize the opportunities and will utilise its competitive strengths to support the long-term development policies. Looking forward, the Group will continue to look for suitable opportunities for merger and acquisition to beef up its current operation portfolio.

BUSINESS STRATEGIES

Given that the business environment will remain challenging in 2017, the Group shall fortify its business foundation and adopt an ever-improving operation model with flexibility and creative thinking. Riding on the advantages of the Group's diversified operation portfolio and the brand influence of its operation, the Group will maintain balanced and stable cash flow to support the healthy development of the overall business.

APPRECIATION

Year 2017 marks the 30th anniversary of the Group. As always, the management team of the Group will adhere to a prudent and practical development strategy and implement ever-evolving operation ideas to strive for the growth of the Group. On behalf of the Board, I extend my sincere gratitude to every management and staff members at various levels for their contributions and efforts over the years. I look forward to making further strides for the Group's business through concerted efforts.

Tang Ching Ho
Chairman

Hong Kong, 21 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the financial year ended 31 March 2017, the Group's revenue and profit attributable to owners of the parent amounted to approximately HK$869.4 million (2016: approximately HK$916.9 million) and approximately HK$423.7 million (2016: approximately HK$449.1 million) respectively.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.5 cent (2016: HK0.5 cent) per ordinary share for the year ended 31 March 2017 to shareholders whose names appear on the register of members of the Company as of Wednesday, 6 September 2017. The final dividend will be paid on or around Friday, 22 September 2017, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 August 2017. Together with the interim dividend of HK0.1 cent (30 September 2015: HK0.1 cent) per ordinary share, the total dividends for the year ended 31 March 2017 will be HK0.6 cent (2016: HK0.6 cent) per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) *for determining eligibility to attend and vote at the 2017 annual general meeting:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Wednesday, 23 August 2017
Closure of register of members:	Thursday, 24 August 2017 to Tuesday, 29 August 2017 (both days inclusive)
Record Date:	Tuesday, 29 August 2017

(b) *for determining entitlement to the proposed final dividend:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Monday, 4 September 2017
Closure of register of members:	Tuesday, 5 September 2017 to Wednesday, 6 September 2017 (both days inclusive)
Record Date:	Wednesday, 6 September 2017

In order to be eligible to attend and vote at the 2017 annual general meeting and to qualify for the proposed final dividend, 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 Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

BUSINESS REVIEW

The Company had completed on 12 April 2016 the "spin-off" of its residential and commercial property development and commercial and industrial property investment businesses to a separately listed subsidiary, WOP. Details of the whole "spin-off" exercise were disclosed in the announcements of the Company dated 28 December 2015, 4 March 2016, 24 March 2016, 30 March 2016, 11 April 2016 and 12 April 2016. Since 12 April 2016 and as at 31 March 2017, the Company continued to hold 75.0% equity interest in WOP and continued to benefit from the property related business of the WOP Group. The financial performance and position of the WOP Group continue to be consolidated into the financial statements of the Group.

Besides, since 29 September 2016 and as at 31 March 2017, the Company held approximately 51.32% equity interest in WYTH which had increased from the original of approximately 22.08% as at 31 March 2016 pursuant to the rights issue of WYTH on the basis of three rights shares for every one WYTH share at HK$0.43 per share (the "**WYTH Rights Issue**"). Details of the Company's participation in WYTH Rights Issue were disclosed in the announcements of the Company dated 8 July 2016 and 26 August 2016. The financial performance and position of the WYTH Group has been consolidated into the financial statements of the Group since 29 September 2016.

As at 31 March 2017, the Group was composed of the Company and its subsidiaries including the WOP Group and the WYTH Group. The Group recorded a full year consolidation revenue of approximately HK$869.4 million (2016: approximately HK$916.9 million) and profit for the year of approximately HK$377.3 million (2016: approximately HK$448.5 million), reflecting in the Group's result is the impact of step acquisition of WYTH. These impacts include a one-time gain on bargain purchase of approximately HK$1,056.2 million and net of approximately HK$550.4 million for the loss on re-measurement of pre-existing interest in WYTH. Altogether, the Group recorded a net profit attributable to WOG's equity holders of approximately HK$423.7 million compared to approximately HK$449.1 million in 2016, and basic and diluted earnings per share attributable to ordinary equity holders of the parent of approximately HK2.22 cents in 2017 compared to approximately HK2.30 cents in 2016.

The Group continues to maintain a stable financial positioning. As at 31 March 2017, we have net assets of approximately HK$6,426.3 million (2016: approximately HK$4,556.0 million), including cash and cash equivalents totaling approximately HK$2,369.3 million (2016: approximately HK$1,287.3 million). In aggregate, total borrowings was approximately HK$4,081.3 million (2016: approximately HK$2,208.8 million) giving the Group a net debt position (interest bearing bank and other loans less cash and cash equivalents) of approximately HK$1,712.0 million (2016: approximately HK$921.5 million).The review of the individual business segments of the Group is set out below.

Property Development

Revenue recognised in this business segment during the year amounted to approximately HK$46.0 million (2016: approximately HK$567.5 million) which was mainly contributed by the sale of a unit in "726 Nathan Road".

The Group has launched the pre-sales of two Ma On Shan projects, "The Met. Blossom" (Ma Kam Street, Ma On Shan - Sha Tin Town Lot No.599) and "The Met. Bliss" (Hang Kwong Street, Ma On Shan - Sha Tin Town Lot No.598) in August and October 2016, respectively. The total contracted pre-sales (which will be recognised (subject to audit) as revenue of the Group upon completion and delivery of respective projects) amounted to approximately HK$4.0 billion as at the date of this report.

For "The Met. Blossom" project, 637 out of 640 units released were sold and the contracted pre-sales amounted to approximately HK$2.5 billion. As at the date of this report, over 65% of the pre-sold units were fully paid. The excellent market response and satisfactory results was mainly attributable to the successful sales strategy and precise positioning of the project. Selling at a close-to-market price, the project has attracted singles and young couples who are end users as well as investors. The foundation works and top up have been completed and the fitting out works are undergoing and the expecting completion of this project will be in 2018. The Group owns 60% equity interest in this development and the results and financial position will be consolidated into the financial statements of the Group.

For "The Met. Bliss" project, all of the 364 units released were sold and the contracted pre-sales amounted to approximately HK$1.5 billion. "The Met. Bliss" comprises studios, one-bedroom units and a limited number of two-bedroom units that are rarely offered in Ma On Shan, to meet the demand of small-sized flats in the district. Same as "The Met. Blossom", the foundation works and top up have been completed and the fitting out works are undergoing. The project is expected to be delivered in 2018. The Group owns 60% equity interest in this development and the results and financial position will be consolidated into the financial statements of the Group.

The Group's third residential project in Shatin district, the site at Tai Po Road – Tai Wai Section (Sha Tin Town Lot No. 587), is officially named as "The Met. Acappella". "The Met. Acappella" is a residential building consisting of two wings of 12 and 13-storeys, offering around 336 units. It comprises diversified unit layouts including studios, 1-bedroom units, 1-bedroom (with store room or study room) units, that account for over 80% of all units. The project also offers garden duplex units and penthouse units with rooftop terrace. "The Met. Acappella" is designed to incorporate the natural scenery of neighbouring areas, enabling residents to breathe fresh air and breathtaking green views in this bustling city. With the excellent and convenient transport network, "The Met. Acappella" also allows residents to indulge in all-round shopping, dining, entertainment and leisure activities, satisfying the needs of pursuing quality lifestyle. The Group is currently preparing for the launch of the pre-sale of "The Met. Acappella" and the set-up of its show flats. It is expecting the approval of presale consent application to be issued.

The site at 575-575A Nathan Road, Mongkok has completed the foundation works and is undergoing the construction of the superstructure. The site will be developed into another 19-floor Ginza type commercial complex and is expected to be completed by the end of 2017.

Development works of the site at 13 and 15 Sze Shan Street are still being paused. The Lands Department has issued the revised assessment of land premium and the Group has accepted the offer. The site works are expected to be resumed.

On 19 May 2017, the Group has successfully acquired the entire equity interest in the site at Yiu Sha Road, Whitehead, Ma On Shan (Sha Tin Town Lot 601). The site will be developed as a residential project with site area of approximately 253,000 square feet and estimated gross floor area of approximately 387,500 square feet. On 7 June 2017, the WOP Group entered into a sale and purchase agreement for the disposal of 50% of the entire interest in a company holding Sze Shan Street project to an independent third party, details of which are set out in the announcement jointly issued by the Company and WOP on 7 June 2017.

As at 31 May 2017, the Group had a development land portfolio as follows:

Location	**Approximate site area** (square feet)	**Approximate floor area** (square feet)	**Intended usage**	**Anticipated year of completion**
575-575A Nathan Road, Mongkok	**2,100**	25,000	Commercial	**2017**
Hang Kwong Street, Ma On Shan ("**The Met. Bliss**")	**33,300**	115,000	Residential	**2018**
Ma Kam Street, Ma On Shan ("**The Met. Blossom**")	**33,300**	200,000	Residential	**2018**
Tai Po Road – Tai Wai section ("**The Met. Acappella**")	**71,000**	148,000	Residential	**2019**
13 and 15 Sze Shan Street, Yau Tong	**41,000**	272,000	Residential and Commercial	**2020**
Yiu Sha Road, Whitehead (Sha Tin Town Lot No. 601)	**253,000**	388,000	Residential	**2020**

To achieve sustainable operation of the Group in the long run, the Group has actively participated in the tender for land reserve. In facing the fierce competition from the PRC property developers, the Group has also explored other ways of collaboration with external parties for development opportunities. The Group will dedicate further resources in the areas of property development focusing on residential and commercial projects.

Property Investment

As at 31 March 2017, the Group's portfolio of investment properties comprised of commercial, industrial and residential units located in Hong Kong with a total carrying value of approximately HK$1,668.8 million (31 March 2016: approximately HK$795.3 million).

During the reporting period, the Group received gross rental income of approximately HK$34.1 million (2016: approximately HK$40.8 million), representing a decrease of approximately HK$6.7 million or 16.4% compared with last year. The decrease in gross rental income was primarily due to the disposal of a number of properties during the year ended 31 March 2016, as well as during the reporting period.

During the reporting period, the Group sold various second-hand residential properties with a total consideration of approximately HK$35.6 million (2016: approximately HK$59.2 million). As at 31 March 2017, the Group held 39 second-hand residential properties of approximately HK$195.5 million (2016: 48 second-hand residential properties of approximately HK$216.1 million) previously acquired from the market. As disclosed in the announced documents of WOP in respect of the spin-off exercise, the Group expected that it will not engage in any business activities that compete with those of WOP, the Group will actively pursue the disposal of second-hand residential properties in the coming financial years. The Group had disposed 8 out of the above mentioned 39 second-hand residential properties as of the date of this report, all of them were delivered on or before May 2017.

In November 2015, the Group acquired a number of car parking spaces in Shatin Centre for trading purpose. During the reporting period, the remaining stocks were sold with an aggregate gross revenue contribution of approximately HK$85.0 million.

The Group acquired a shop at No. 166, Sai Yeung Choi Street South, Mong Kok, Kowloon and an office premises at 30th floor of United Centre, No. 95 Queensway Road, Hong Kong at a consideration, inclusive of direct costs, of approximately HK$90.8 million and approximately HK$517.3 million, respectively. We are confident in long term prospect of commercial properties in Hong Kong and hence consider the acquisition of commercial properties will strengthen the Group's property portfolio and revenue source.

Furthermore, the Group entered into a provisional sale and purchase agreement on 20 February 2017 to acquire an office premises and certain car park units located in Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories at a consideration of approximately HK$274.5 million, completion of which took place on 25 April 2017.

We will continue to review our portfolio of investment properties and invest in the growth opportunities for the purpose of creating greater shareholder value.

Management and Sub-licensing of Chinese Wet Markets

As at 31 March 2017, the segment continued to deliver strong performance under current challenging market conditions, the revenue was approximately HK$191.5 million (2016: approximately HK$181.4 million), representing an increase of approximately HK$10.1 million or approximately 5.6% over the corresponding period last year. The growth in revenue was mainly supported by the renewal of license agreements with stall operators and the commencement of new rental agreement following by the completion of renovation of the wet market in Chung On Estate, Sha Tin.

As a leader in the market, the Group manages a portfolio of approximately 900 Chinese wet market stalls in Hong Kong under "Allmart" brand, with a total gross floor area over 225,000 square feet during the reporting period. In order to stand out from the fierce competition, as well as the higher customer's expectation, the Group will continue to implement a series of strategic programs which focus on revitalising the mature stores through renovation, store segmentation as well as cost control aspects.

In mainland China, the Group operates 17 Chinese wet markets under the "Huimin" brand in various districts of Shenzhen, the PRC as well as the Guangdong Province, the PRC. It currently includes a portfolio of approximately 1,000 stalls with a total gross floor area over 283,000 square feet. Given that the economy of China is growing steadily, we are optimistic about the outlook of the Chinese wet markets operations in China, meanwhile, the Group is exploring opportunities to expand our operations to other regions of China, which will be a sustainable and strong revenue source to the Group.

Treasury Management

The Group maintains a robust financial position. Liquid investment amounted to approximately HK$1,525.4 million at 31 March 2017, an increase of 78% from the balance of approximately HK$859.1 million at 31 March 2016, mainly reflecting the cash arising from funds from operations, acquisition of WYTH and net proceeds from disposal of certain properties and subsidiaries. The liquid investments represented 77% of the debt securities, 20% of listed equity securities and 3% of fund investment.

This segment of business provides the Group with opportunities to utilise its financial resources as well as diversify its business segments. The segment contributed approximately HK$136.9 million (2016: approximately HK$76.1 million) to the Group, and the review of major investments of the Group is set out below.

(1) Loan Facility Granted to China Agri-Products Exchange Limited ("CAP")

On 4 October 2014, the Group entered into a subscription agreement with CAP, pursuant to which the Group had subscribed up to a maximum principal amount of HK$200.0 million two-year 8.5% coupon interest bonds and HK$1,050.0 million five-year 10.0% coupon interest bonds to be issued by CAP (collectively "**CAP Bonds**"). During the reporting period, CAP had redeemed HK$200.0 million two-year 8.5% coupon interest bond. As at 31 March 2017, the fair value and principal amount of the CAP Bonds held by the Group amounted to approximately HK$1,041.0 million and HK$1,050.0 million (2016: approximately HK$503.5 million and HK$530.0 million), respectively.

Besides, save as disclosed above,as at 31 March 2017, CAP was indebted to the Group in the principal amount of HK$70.0 million (2016: approximately HK$70.0 million) pursuant to the loan agreement entered into between the Group and CAP on 17 August 2015.

(2) Loan Facility Granted to Easy One Financial Group Limited ("EOF")

As at 31 March 2017, EOF was indebted to the Group in the principal amount of HK$80.0 million (2016: Nil) pursuant to the loan agreements entered into between the WYTH Group and EOF on 5 October 2016.

Subsequent to the end of the reporting period, the Group entered into a loan agreement with EOF on 12 April 2017, pursuant to which the Group had provided an unsecured three-year revolving loan facility of not exceeding a sum of HK$200.0 million to EOF with an annual interest rate of 6.5% per annum. HK$200.0 million has drawn down as at the date of this report.

The Pharmaceutical and Health Food Products Related Business of WYTH

During the reporting period, WYTH Group recorded a turnover of approximately HK$738.4 million (2016: approximately HK$825.3 million) and loss attributable to equity holders of approximately HK$93.3 million (2016: profit attributable to equity holders of approximately HK$25.4 million). Such a decline in results performance was mainly attributable to, among other things, the loss in fair value of equity investments at fair value through profit or loss (net), the share of losses in associates and the fair value losses on investment properties.

As mentioned, WYTH became a subsidiary of the Group on 29 September 2016, following the WYTH Rights Issue completed on the same date. This step-acquisition led the Company to record a gain on bargain purchase of approximately HK$1,056.2 million (2016: Nil) and loss on re-measurement of pre-existing interest in WYTH to acquisition date fair value amount to approximately HK$550.4 million (2016: Nil). Prior to becoming a subsidiary of the Group, WYTH was an associate of the Group and the Group's share of loss of WYTH Group within the reporting period was approximately HK$8.4 million (2016: share of profit of approximately HK$31.7 million including a gain on bargain purchase of approximately HK$26.3 million).

"Wai Yuen Tong" brand is a leading household name in the health food industry, established over the past 120 years, and well known by the majority of Chinese and Hong Kong customers. Under China Thirteen Five-Year plan, traditional Chinese medicines has been promoted to a national strategic industry status. We anticipate that the sales of our key products will benefit from the general market changes and expansion driven by this policy.

In the past, WYTH has adopted a low-capex production strategy through the use of contract manufacturers. However the tightness in contract manufacture supply in recent years has made our expansion more difficult. To address this issue, WYTH moved to develop in-house production capacity through the establishment of new factories in Yuen Long Industrial Estate and Pingshan in Shenzhen, the PRC respectively. The construction of Yuen Long factory was completed in the beginning of 2017 and has commenced production. The application of Good Manufacturing Practice ("**GMP**") certificate from the State Food and Drug Administration for Pingshan factory is currently underway. We anticipate the GMP certificate to be obtained in second half of 2017. We believe that WYTH's move to expand the production capacity and cutting down reliance on contract manufactures will well position us for long-term and sustainable growth.

In parallel to expanding production capability, our marketing infrastructure will continue to expand. We will continue to develop our sales and distribution channels and explore opportunities from online shopping platform and franchising operation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group's total assets less current liabilities were approximately HK$9,763.0 million (2016: approximately HK$6,199.7 million) and the current ratio decreased from approximately 6.0 times as at 31 March 2016 to approximately 2.3 times as at 31 March 2017.

As at 31 March 2017, the Group held cash resources and short-term investments of approximately HK$2,709.6 million (2016: approximately HK$1,631.0 million). Aggregate borrowings as at 31 March 2017 amounted to approximately HK$4,081.3 million (2016: approximately HK$2,208.8 million). The gearing ratio was approximately 37.1% (2016: approximately 20.2%), calculated by reference to the Group's total bank and other loans net of cash and cash equivalents and the equity attributable to owners of the parent.

As at 31 March 2017, the Group's land and buildings, investment properties (including the investment properties included in assets held for sale) and properties under development with carrying value of approximately HK$533.3 million, HK$1,574.7 million and HK$1,756.7 million (2016: approximately HK$60.1 million, HK$654.0 million and HK$2,910.5 million), respectively, were pledged as security for the bank borrowing.

The Group's capital commitment as at 31 March 2017 amounted to approximately HK$2,319.9 million (2016: approximately HK$127.5 million) is mainly for property development business. The Group had no significant contingent liabilities as at the end of the reporting period.

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.

DEBT PROFILE AND FINANCIAL PLANNING

As at 31 March 2017, interest-bearing debt profile of the Group was analysed as follows:

	2017	2016
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year or on demand	**763,948**	600,047
In the second year	**777,622**	984,891
In the third to fifth years, inclusive	**1,988,001**	379,488
Beyond five years	**522,858**	–
	4,052,429	1,964,426
Other loans repayable:		
Within one year	**28,845**	–
In the second year	**–**	92,001
In the third to fifth years, inclusive	**–**	152,361
	28,845	244,362
	4,081,274	2,208,788

In order to meet the interest-bearing debts, business capital expenditure and funding needs for, *inter alia*, replenishment of our land bank, enhancing our portfolio of properties for investment and/or payment of construction costs for the development of our 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

As at 31 March 2017, the Group held available-for-sale investment and financial assets at fair value through profit or loss of approximately HK$1,170.7 million and HK$354.7 million, respectively:

	As at 31 March 2017				For the year ended 31 March 2017			Fair value/carrying amount		
Nature of investments	Number of shares held '000	Amount held HK$'000	Percentage to share-holding in such stock %	Percentage to the Group's net assets %	Fair value gain/(loss) of financial assets at fair value through profit or loss HK$'000	Bond interest income HK$'000	Dividends received HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000	Investment cost HK$'000
Available-for-sale investments										
CAP – 10.0% 5-year Bonds	–	1,040,976	–	16.2	–	71,517	–	1,040,976	307,780	1,041,750
CAP – 8.5% 2-year Bonds	–	–	–	–	–	13,029	–	–	195,671	195,000
Others	–	129,731	–	2.0	–	4,124	–	129,731	11,969	100,167
Sub-total	–	1,170,707	–	18.2	–	88,670	–	1,170,707	515,420	1,336,917
Financial assets at fair value through profit or loss										
A. Listed investments										
Kingston Financial Group Limited ("**Kingston**")	31,104	78,693	0.23	1.2	(27,939)	–	375	78,693	69,254	51,816
Town Health International Medical Group Limited ("**Town Health**")	107,500	133,300	1.43	2.1	(11,575)	–	539	133,300	80,300	83,323
Others	–	87,054	–	1.4	(78,980)	–	1,762	87,054	149,950	110,467
B. Mutual Funds	–	41,225	–	0.6	(9,741)	–	–	41,225	44,135	46,933
C. Others	–	14,424	–	0.2	4,483	–	–	14,424	–	9,941
Sub-total	–	354,696	–	5.5	(123,752)	–	2,676	354,696	343,639	302,480
Total	–	1,525,403	–	23.7	(123,752)	88,670	2,676	1,525,403	859,059	1,639,397

The principal activities of the securities are as follows:

1. CAP is principally engaged in the business of management and sales of properties in agricultural produce exchange markets in the PRC.

2. Kingston is principally engaged in provision of securities brokerage, underwriting and placements, margin and initial public offering financing, other financial services, hotel ownership and management, food and beverage, casino and securities investment.

3. Town Health is principally engaged in business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities.

4. Save as disclosed above, the Group also invested in other shares listed in Hong Kong. The fair value of each of these shares represented less than 1.00% of the net assets of the Group as at 31 March 2017. The principal activities of these companies mainly include operation of casinos; manufacturing of light-emitting diode and lighting products; solar energy; construction, operation and maintenance of power stations; money lending and financial services; fund management; securities trading and investment; property development and investment; operation of hotels and resorts; manufacturing of textile products and accessories; and general trading and provision of various services.

5. Save as disclosed above, the Group also invested in other mutual funds, the fair value of each of these mutual funds represented less than 1.00% of the net assets of the Group as at 31 March 2017, including Emerging Market Bond Fund, China Growth Fund, Asian Equity Plus Fund, USD Money Fund, Opus Mezzanine Fund 1 LP, PM Classic (PM), Emperor Greater China Opportunities Fund Ltd – 664825/DLT, Success Harvest Fund – Class A Shares, UBS (LUX) Equity – European Opportunity Unconstrained-ACC (LU0975313742 – USD Hedged P-acc) and ICBC-Quantum Advantage Funds.

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 31 March 2017, 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 31 March 2017, the Group had 1,156 (2016: 198) employees, of whom approximately 64.6% (2016: 98.0%) 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 had a defined scheme of remuneration and promotion review to accommodate the above purpose and review is normally carried out annually or biannually. 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 principle 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 that 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; and (viii) loss of management contracts for Chinese wet markets which may arise in light of severe competition with existing market players and entry of new participants into the market.

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

Economic and market conditions remain volatile in 2017 which have certain impact on the Group's businesses in mainland China and Hong Kong, however, the Group will continue to demonstrate its resilience and maintain a sustainable growth in term of earnings as well as liquidity. The Government of Hong Kong has committed to increase supply of land in a sustainable manner which will generate a stabilising effect in the property market and moderate the impact of further price hikes. On the other hand, coupled with the Government's long-term strategic plan to develop new living and business districts in Hong Kong in an attempt to build up a greater metropolitan area, the Group expects population of Hong Kong will increase further and this should generate further inelastic demand for residential properties. The Group therefore keeps an optimistic view about the property market. Given that in recent years, there has been more and more property developers joining the arena for tender of Government land, it has increased competition among developers to acquire development land reserve, the Group will devote further resources and efforts in the tender and search of land for development, and will also look for collaboration opportunities. Furthermore, the Group will continue to look for potential investment properties for recurring income and capital appreciation. The Group is confident about WOP's prospects in the foreseeable future.

As mentioned, WYTH became subsidiary of the Group during the reporting period marks another milestone of the Group. Taking into account WYTH Group's business track record and financial position, as well as the continued trend of awareness and concern about personal health, the Group is optimistic about the future growth and development of WYTH Group. The solid foundations, recognised brand value of WYTH Group as well as the addition of new production facilities are undoubtedly the backbone to support the Group's future expansion plan. The Group believes taking up the controlling stake in WYTH is a great opportunity to participate in additional future returns of WYTH. WYTH enters a period of transition to the new manufacturing facilities in Yuen Long factory. We anticipate the transition is highly complex in both pricing, production and distribution strategy. We will however benefit in the mid-to-long term from addressing our core production bottleneck issues and enhancing cost efficiencies. This will materially improve WYTH baseline gross margins in the long run. Together with strategies of strengthening WYTH's pharmaceutical sales and marketing infrastructure, we believe the Group is on the right track turning WYTH to be a profitable business.

Apart from property-related and pharmaceutical and health care businesses, the operation of Chinese wet market will continue to serve as reliable recurring income sources of the Group. The Group will actively involve in search of opportunities to expand our management portfolio which in turn to further improve our market leading position.

In order to sustain further growth, the Group is actively exploring various forms of strategic business opportunities, and will develop or invest in new businesses whenever it generates attractive return to the Group and its shareholders. Last but not least, I would like to take this opportunity to express my gratitude to my fellow directors for their guidance, to all staff for their dedication and efforts, and to all our shareholders and customers for their continuous support.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS*, *JP*, aged 55, is a co-founder of the Group, which was established in 1987, and the Chairman of the Company since November 1993. He is also an authorised representative and a member of the remuneration committee, the nomination committee, investment committee and the executive committee of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman of WYTH. Mr. Tang is the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and is also appointed as a committee member and convener of the tenth and the eleventh plenary sessions of the CPPCC Guangxi Zhuang Autonomous Region Committee and the Life Chairman and the Chairman of Social Affairs of Federation of Hong Kong Guangxi Community Organisations Limited. He is the husband of Ms. Yau Yuk Yin, the Deputy Chairman of the Company and the brother of Ms. Tang Mui Fun, an executive director of WYTH.

Ms. Yau Yuk Yin, aged 55, is a co-founder of the Group and the Deputy Chairman of the Company since November 1993. She is also a member of the remuneration committee, the nomination committee and the executive committee of the Company. Ms. Yau is responsible for the overall human resources and administration of the Group. She has over 24 years of extensive experience in human resources and administration management. It was resolved by the remuneration committee and the Board on 21 June 2017, the Company entered into a revised service agreement with Ms. Yau Yuk Yin on 21 June 2017 for the amendment of her basic monthly salary from HK$303,800 to HK$358,000 with effect from 1 July 2017 which is subject to yearly review, and she is also entitled to a yearly performance bonus on the basis of 1.5% of the audited consolidated net profit after taxation of the Group commencing from the financial year ended 31 March 2018. Ms. Yau is the wife of Mr. Tang Ching Ho, the Chairman of the Company.

Mr. Chan Chun Hong, Thomas, aged 53, joined the Group in March 1997 as an executive Director and was redesignated as the managing Director in September 2005. He is also an authorised representative and a member of the remuneration committee, the nomination committee, the investment committee and the executive committee of the Company. Mr. Chan is currently responsible for corporate matters and managing the overall operations of the Group. He is also the non-executive chairman of WOP, managing director of WYTH, the chairman and managing director of EOG, the chairman and chief executive officer of CAP, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Chan resigned as an independent non-executive director of Shanghai Prime Machinery Company Limited, a company listed on the Main Board of the Stock Exchange, on 27 June, 2014. He graduated from The Hong Kong Polytechnic University with a Bachelor degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Independent Non-Executive Directors

Dr. Lee Peng Fei, Allen, *CBE*, *BS*, *FHKIE*, *JP*, aged 77, joined the Group in November 1993 as an independent non-executive Director. He is a member of the remuneration committee and the chairman of the nomination committee of the Company. Dr. Lee holds an honorary doctoral degree in engineering from The Hong Kong Polytechnic University and an honorary doctoral degree in laws from The Chinese University of Hong Kong. He is currently an independent non-executive director of AMS Public Transport Holdings Limited, ITE (Holdings) Limited and Playmates Holdings Limited, all of which are companies listed on the Stock Exchange.

Mr. Wong Chun, Justein, *BBS*, *MBE*, *JP*, aged 63, joined the Group in November 1993 as an independent non-executive Director. He is a member of the audit committee and the nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Wong holds a bachelor's degree in Commerce and Computing Science from Simon Fraser University, Canada. He is a Fellow of Institute of Canadian Bankers. He was a member of the Fight Crime Committee, the Independent Police Complaints Council, the Legal Aid Services Council, chairman of Quality Education Fund Assessment and Monitoring Committee. He is ex-official member of New Territories Heung Yee Kuk and is currently a member of Solicitors Disciplinary Tribunal Panel, a member of Council on Professional Conduct in Education and a member of other government advisory bodies.

Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*, aged 70, joined the Group in November 1993 as an independent non-executive Director. He is the chairman of the audit committee of the Company and a member of the nomination committee and the remuneration committee of the Company. Mr. Siu is also an executive member of a number of charitable organisations and sports associations and an independent non-executive director of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited), a listed company in Hong Kong.

Mr. Siu Kam Chau, aged 52, joined the Group in September 2004 as an independent non-executive Director. He is a member of the audit committee, the nomination committee, the remuneration committee and the investment committee of the Company. Mr. Siu holds a Bachelor degree in Accountancy from The City University of Hong Kong. Mr. Siu is a Certified Public Accountant (Practising) and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Siu has over 27 years of working experience in auditing, accounting, company secretarial and corporate finance. He is currently an independent non-executive director of Deson Development International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Siu resigned as executive director of Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited) and an independent non-executive director of China New Economy Fund Limited, both companies listed on the Main Board of the Stock Exchange, on 1 February 2016 and 22 October 2014, respectively. He also resigned as an independent non-executive director of China Demeter Investments Limited (formerly known as Oriental Unicorn Agricultural Group Limited), a company listed on the GEM Board of the Stock Exchange, on 27 October 2014.

SENIOR MANAGEMENT

Mr. Wong Yiu Hung, **Gary** joined the Group in February 2004 as the general manager of the property department (sales and marketing) until February 2008 and re-joined the Group in December 2013 as the director (sales and marketing) of the property development department. Since the spin-off of the Group's property investment and development business under separate listing of WOP on the Main Board of the Stock Exchange, he has been appointed as the executive director and chief executive officer of WOP and is primarily responsible for strategic planning and the overall management and supervision on property acquisition, investment and development in both commercial and residential properties of the Group. He has over 30 years of experience in property development, leasing, sales and marketing. Prior to joining the Group, Mr. Wong held various senior positions in reputable and sizeable property developers.

Mr. Yeung Yiu Man joined the Group in March 2011 and was in charge of the Group's quantity surveying division. Since the spin-off of the Group's property investment and development business under separate listing of WOP, he has been appointed as the director of the quantity surveying division of our Group and is responsible for managing various property developments of our Group and has overall responsibility for all aspects of cost and quality control of construction works. Mr. Yeung obtained a degree of Master of Science in Management from the Hong Kong Polytechnic University. He was admitted as a member of the Chartered Institute of Building in May 1992 and elected as a member of the Royal Institute of Chartered Surveyors in November 2008. He possesses a wide spectrum of experience in the property industry and has been active in property developments for more than 31 years, in which 11 years was gained from a major Hong Kong listed property developer.

Ms. Tang Mui Fun joined the Group in 2000 and was appointed as an executive director of WYTH in September 2007. She also acts as a director of certain subsidiaries of the Group and the WYTH Group. She is responsible for the overall strategic planning and development and policy making for the core business of the WYTH Group. Ms. Tang has extensive experience in pharmaceutical industry and has been re-appointed as a member of each of the Pharmacy and Poisons (Listed Sellers of Poisons) Committee and the Committee on Research and Development of Chinese Medicines on an *ad personam* basis, she is also elected as a member of each of Chinese Medicine Council of Hong Kong, Chinese Medicines Board and Chinese Medicines Committee. She graduated from the University of Hull (England) with a bachelor degree in accounting. Prior to joining the Group, she had over two years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the chairman of the Company.

Mr. Woo Kee Man, Jimmy joined the Group in February 2017 as the financial controller of the Group. Mr. Woo received a Bachelor of Commerce degree from the University of Otago, a Master of Science degree in Project Management and a Master degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Woo is a member of the Hong Kong Institute of Certified Public Accountants and an incorporate member of Chartered Institute of Building. Prior to joining the Group, Mr. Woo was Deputy Director – Finance Operation of Kerry Properties Ltd where he was in charge of a number of finance and control functions in various operations. He had also held management roles in the major subsidiaries of renowned listed conglomerates in Hong Kong including NWS Holdings Ltd and Sun Hung Kai Properties Ltd.

Mr. Chan Kai Wing, Kelvin joined the Group in April, 2017 as the Chief Technology Officer and is responsible for the overall IT management of the Group. He possesses over 28 years of IT management and development experience and prior to joining the Group, he has worked in several Hong Kong listed property and construction groups as senior IT executive. He holds a Master of Technology Management (Information Technology) degree from The Hong Kong University of Science and Technology, a Bachelor of Law degree from University of London, and a Bachelor of Business Administration degree from The Chinese University of Hong Kong. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a Fellow of The Association of Chartered Certified Accountants, and a member of the Hong Kong Computer Society.

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita joined the Group in March 2007 as the Company Secretary of the Company. Ms. Mak is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and holds a Master degree in Business Administration from University of Lincolnshire and Humberside. Ms. Mak has over 20 years of experience in company secretarial field. Prior to joining the Group, she has served in a few of Hong Kong listed groups.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Company proudly presents its first Environmental, Social and Governance ("**ESG**") Report for 2017. This report is prepared in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board acknowledges its responsibility to ensure the integrity of the this report and confirms that it has reviewed and approved the report.

The Company considers sustainability as being conducive to its long-term development. The purpose of the report is not only to explain the management approach to the stakeholders, but also to demonstrate our ongoing efforts for realising sustainable development goals, contributing to the society and environment in which we operate.

Reporting Period and Scope

This report presents information relevant to the ESG management approach focusing on the Group's Chinese wet market management and treasury management segments, while the performance of our property development and property investment segments are separately disclosed in WOP's (Stock Code: 1243) ESG report and the pharmaceutical and health food product segment is separately disclosed in WYTH's (Stock Code: 897) ESG report which are contained in respective 2017 annual reports. its spin-off business and subsidiaries, namely, WOP (Stock Code: 1243) and WYTH (Stock Code: 0897) is reported separately. The reporting period covers the fiscal year from 1 April 2016 to 31 March 2017.

Feedback

The Company values the feedback received from all stakeholders regarding the content and delivery of information provided in this report since that helps improve future performance, as well as presentation of reports. Please direct your feedback and comments to us.

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ESG MANAGEMENT APPROACH

The Company is one of the leading operators in Chinese wet market and related services. The potential impacts our operations on the environment and the society include, but are not limited to, generation of food waste, data privacy and anti-corruption matters. We acknowledge the impacts on the community by our daily business operations and the Company is committed to enhancing sustainability on a step-by-step basis, as different departments of the Company help manage ESG initiatives implemented within the Company.

The Company is aware of the food waste produced in both Hong Kong and China. We strive to cooperate with its tenants and the local communities to reduce and recycle the food waste generated at our markets as much as possible. The Company is committed to providing honest and professional services to its customers. Office-based operations have a relatively limited environmental impact compared to other industries but the Company still endeavours to reduce resources and energy consumption in our offices.

Looking ahead, we believe sustainability is one of the key components of long-term operational success. The Company is determined to take appropriate steps to incorporate sustainable practices into its daily operations.

Stakeholder Engagement

The Company considers stakeholder engagement as one of the effective tools that helps improve ESG performance and management approaches. We engage with our key stakeholders continuously through a variety of platforms, focusing on their material concerns. The table below shows the topics the stakeholders may be concerned with and our corresponding engagement methods.

Key stakeholders	Material issues	Engagement channels
Customers and tenants	• Customer satisfaction • Data privacy	• Websites • Business representatives • Email and service hotline
Employees	• Training and development • Occupational environment • Employee welfare	• Communications with supervisors • Training and teambuilding in retreat • Whistleblowing policy
Investors and shareholders	• Corporate governance • Operational risk • Disclosure	• Annual general meeting • Annual report, ESG report and press releases
Government	• Compliance • Business ethics	• Compliance with laws and regulations • Regular seminar from governors • Ongoing communication with relevant government department
Community	• Environmental protection • Corporate responsibility	• Support and volunteer for charity organization • Cooperation with non-governmental organisations (“**NGOs**”)

CARING FOR OUR PEOPLE

The Group is devoted in providing a comfortable work environment to its employees and to safeguard their rights. We have established an Employee Handbook, which outlines the employment policies in detail, complying with the Employment Ordinance (Chapter 57 under the Laws of Hong Kong) and other relevant laws and regulations of Hong Kong. The Company strictly prohibits recruitment of child or forced labour and is committed to following fair and non-discriminatory recruitment processes that rule out bias on factors such as age, gender, religion, marital status and so on. During the year, the Company has not committed any occurrence of significant non-compliance of any relevant labour laws and regulations.

The remuneration of an employee is evaluated in accordance with factors such as qualifications, performance, company policy and market salary trends. The Human Resources Department and the Head of the Department also review the performance of the employee annually. In addition to Mandatory Provident Fund Schemes, we also provide hospital insurance and outpatient medical plan for our employees.

For ensuring health and safety of employees, the Company strictly complies with the Occupational Safety and Health Ordinance (Chapter 509 under the Laws of Hong Kong) of Hong Kong. We have also implemented a set of safety guidelines for the employees, especially those working on site. Employees are encouraged to report any potential risk of safety in the occupational environment to their supervisor and Human Resources Department for follow up action. During the year under review, there was no reported work-related injury or accident.

Employee Engagement

The Company strives to provide a fair and comfortable working environment to its employees. The Group organises recreational activities, such as retreats, regularly for the employees to build team spirit and enhance relationships within the Company. In order to continuously improve our employment management and policies, we have set up a communication platform on which employees can reflect their opinions. This helps us maintain harmonious working relationships between the Company, its employees and their supervisors. We encourage our employees to discuss work-related issues with their supervisors, treating all cases in a fair and open manner.

Development and Training

The Company encourages employees to equip themselves for personal growth and development, and at the same time, to contribute more the Company's operations. The Group organises in-house training programs regularly, such as ESS system training, for office staff and staff with managerial grade or above, according to the needs of our operations.

Other than in-house trainings provided by the Company, employees are also encouraged to opt for external education, expenses for which are reimbursed by us. To be qualified for reimbursement, the program should be listed in Education Bureau Office for accredited continuing education and training courses, and the application should be approved by the employee's supervisor and the Human Resources Department. After completion of the program, the employee can apply for reimbursement by submitting the official receipt and certificate. In addition, The Group recognises the efforts of professional employees by sponsoring qualification memberships.

STRIVING FOR OPERATING EXCELLENCE

The Group is committed to providing convenient, hygienic and quality shopping experience to residents and citizens in wet markets managed by the Company. Wet markets under the Company's management comply with the Private Markets Regulation (Chapter 132BG under the Laws of Hong Kong) stipulated under the laws of Hong Kong and other relevant laws and regulations. Stalls are operated only by licensed stallholders, approved by the Director of Food and Environmental Hygiene. We also enhance operating efficiency by constantly modernising and upgrading the physical facilities for providing more organised interiors and better shop distribution of the wet markets.

The Company commissions licensed cleaning and security companies to ensure hygiene and security of the wet markets. At the same time, representatives of our Company visit the markets regularly to ensure smooth operations. During the year under review, the Company did not observe any incidents of violation of relevant laws and regulations in operating wet markets.

Given the nature of our business, both wet markets management and financial services business, we do not maintain a wide network of suppliers. We obtain the right to manage wet markets through leasing tenders from Link Properties Limited ("**Link**") and the Hong Kong Housing Authority; the Company ensures transparency and fair competition during the tendering processes, and promotes green procurement where appropriate.

Business Ethics

Wang On Group is committed to achieving the highest possible standards of openness, probity and accountability and does not tolerate any kind of bribery, extortion or money laundering activities within the Company. We have established a whistleblowing policy in accordance with the Prevention of Bribery Ordinance (Chapter 201 under the Laws of Hong Kong) and other relevant laws and regulations, aiming to encourage and assist individual employees to disclose information that shows impropriety within the Company. We encourage our employees to report instances of misconduct or malpractices such as criminal offence and unethical behaviour which are likely to prejudice the stand of the Company, besides failure to comply with any legal obligations. The Company strives to keep the whistleblower's identity confidential, in order to ensure he/she is free from harassment or victimisation. During the year, there were no reported case of violation of laws and regulations relevant to bribery.

The Company requires all employees to avoid conflicts of interest or the appearance of conflicts of interest in the performance of their jobs. The Group strictly prohibits employees from accepting gifts in any form that may be influential to the Company's professionalism, especially gifts from tenants, licensees, services users and customers, etc. All gifts received from our business partners are required to be reported to the Department of Human Resources & Administration.

The Company understands that education plays an important part in promoting ethical business operations and, therefore, we invite representatives from Independent Commission Against Corruption ("**ICAC**") to organise seminars for our employees to foster knowledge on anti-corruption.

Strick handling of data privacy is crucial for our financial services business. The Company strives to protect the privacy of its customers and business partners, prohibiting the disclosure of any customer's confidential information to others. Employees should also avoid misappropriation or misuse of confidential information for monetary advantage or private use. For our financial services business, the Company places great importance on protecting customer's personal information. Employees are required to handle all personal information in compliance with the Personal Data (Privacy) Ordinance (Chapter 486 under the Laws of Hong Kong).

CARING OUR COMMUNITY

The Company understands the sustainability of local community can help shape a prosperous future. To achieve the goal, we strive to help creating a harmonious and sustainable society, showing our commitment to social responsibilities, and contributing to the community at large. In 2016, the Company donated over HK$5 million to various charitable organisations including Live in Harmony Fund Limited, Hong Kong AIDS Foundation, Chi Lin Nunnery etc. In addition, we encouraged our staff and their family members to take part in the sports events to improve the physical and mental health as well as further strengthen team spirit in all aspects. Below events are our highlights during the year.

JESSICA Run

We participated in the 10th JESSICA Run organised by a renowned feminine fashion magazine at Cyberport in April 2016, in the hope of raising funds for "JESSICA Foundation" and other beneficiaries that offer hands to those in need in the city.

Po Leung Kuk Charity Run 2016

Our running team participated in the Po Leung Kuk Charity Run in December 2016 to support youth service and development. Through the running, we aim to support youth development in terms of their potentials and healthy living attitudes. While as, the Run can highly promote and raise the awareness of work-life balance lifestyle to the public.

Hong Kong and Kowloon Walk for Millions

In January 2017, we teamed up to join the Hong Kong and Kowloon Walk for Millions by The Community Chest, to support member social welfare agencies in providing "Family and Child Welfare Services". We always welcome our staff and families to join the Walk with an aim of maintaining and strengthening family bonding in generations.

Rice Distribution

We fully understand our wet markets catering a wide range of stakeholders in the greatest ease. A rice distribution event was held in summer 2016, which aimed to promote the modern and comfortable wet market atmosphere to residents nearby. This campaign came to success with more than 4,500 bags of rice distributed. Meanwhile, the reusable shopping bags were dispatched to promote green living style in the community.

CARING FOR THE ENVIRONMENT

Even though the nature of our businesses causes relatively limited environmental impacts, we endeavour to minimise waste generation, resources consumption and promote green office practices. The Company has implemented a number of measures and initiatives in its daily operations in the wet markets and offices. The Company is not aware of any material non-compliance with environmental laws and regulations during the year under review.

In our offices, we have improved the working environment by replacing equipment with higher energy efficiency. For instance, we have installed LED and energy saving T5 tubes for lighting; lights in public areas are switched off after office hours. When purchasing electronic appliances, the Company purchases appliances with high energy efficiency as labelled in the energy labels; sleep modes are set for electronic appliances while they are not being used.

The Company continuously encourages employees to raise the awareness about reduction of resources consumption. The Company has published a set of guidelines with recommendations on energy saving, water saving, waste reduction, green procurement, paper consumption reduction and making good use of technology to save energy and resources.

Food Waste Management

The main source of waste generated in our operations is the food waste from the wet markets. Food waste recycling bins have been placed in the market, which allows the stallholders to dispose food waste into the bins, reducing the amount of waste disposed of at landfills. In general, a total of approximately 600 Kilograms of food waste is recycled per day in the 11 wet markets we manage. In order to further reduce the generation of food waste, the Company cooperates with local non-governmental organisations to collect food waste from the stallholders in the Tin Shui Wai and Chung On Markets. The collected food waste is distributed to the people in need or is processed into envrionment-friendly cleaning agents.

HKEX ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and raw materials.	Caring for the Environment
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Caring for the Environment
B. Social		
Aspect B1	**Working conditions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Our People Employee Engagement
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to providing a safe working environment and protecting employees from occupational hazards.	Caring for Our People

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
B. Social (continued)		
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to preventing child or forced labour.	Caring for Our People
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Striving for Operating Excellence
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Striving for Operating Excellence
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Business Ethics
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for Our Community

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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. The Board believes that good corporate governance practices are fundamental and essential to the success of the Company and the enhancement of shareholders and other stakeholders' value.

The Company continued to take steps to apply the principles and comply with the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Board has reviewed periodically the compliance of the CG Code and is in the view that throughout the year ended 31 March 2017, the Company has complied with the code provisions of the CG Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year under review.

The Company also adopted a code of conduct regarding securities transactions on no less exacting terms than the Model Code by the relevant employees of the Group who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities pursuant to code provision A.6.4 of the CG Code. To the best knowledge and belief of the Directors, all relevant employees have complied with the required standard of such code.

BUSINESS MODEL AND STRATEGY

The Group is principally engaged in the businesses of property development, property investment, management and sub-licensing of Chinese wet markets, treasury management and the production and sales of pharmaceutical, health food products and personal care products. The Group's strategy for generating and preserving shareholder's value in the long run is to invest prudently in projects and opportunities which maximise return to the shareholders. With respect to property development, the Group actively explores opportunities and increases its land portfolio which forms the basis for generating gain in the property development. To cope with the dynamic and uncertain market conditions, the Group mainly focuses on projects with shorter development cycle in order to provide greater turnover cycle, flexibility and reduction of business risk. On the other hand, the Group continues to maintain a balanced portfolio of property investments, regularly review its tenant mix, with an aim to maximise rental yield and secure a stable stream of income to support the recurring operations of the Group. Management and sub-licensing of Chinese wet markets provides another stable source of income stream to the Group, the Group continues to devote resources to enhance the facilities and image of existing market to increase rental yield. Our pharmaceutical and health food business focuses primarily on the manufacturing, marketing and sales of the pharmaceutical and health food products in Hong Kong and PRC. Overall, the Group adopts a proactive and prudent approach in developing its businesses.

In short-term, the Group continuously reviews and updates its strategies to provide better clarity on direction and business models. The Group takes active and prompt measures to meet market changes through adjustment of business strategy and control over costs. Further, the Group strives to maintain a healthy financing structure and devotes effort to securing banking facilities which is regarded as an important element for supporting continuous business development of the Group.

THE BOARD

Composition

The Board currently has seven Directors comprising three executive Directors and four independent non-executive Directors (the "**INEDs**"). The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Tang Ching Ho, *SBS, JP (Chairman)*
Ms. Yau Yuk Yin *(Deputy Chairman)*
Mr. Chan Chun Hong, Thomas *(Managing Director)*

Independent non-executive Directors

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

Ms. Yau Yuk Yin is the spouse of Mr. Tang Ching Ho and the biographical details of all Directors are set out on pages 22 to 23 of this report.

The Board possesses a mix and balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs in Board meetings facilitate the maintenance of good corporate governance practices. The Board has four independent non-executive Directors, representing more than one-third of the Board, and at least one of the INEDs has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) and 3.10A of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company and its shareholders. All Directors are aware of the required levels of fiduciary duties, care, skill and diligence under Rule 3.08 of the Listing Rules.

In compliance with code provision A.3.2 of the CG Code, an updated list of the Directors identifying their role and function are available on the websites of the Company (*www.wangon.com*) and the Stock Exchange (*www.hkexnews.hk*). The Company will review the composition of the Board from time to time to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business and to enhance the shareholders' value.

Roles and Responsibilities of the Board and the Senior Management

The Board is accountable to stakeholders for the activities and performance of the Group and its primary functions cover, among other things, the formulation of overall strategy, the review corporate and financial policies and the oversight of the management of the Group's business and affairs. Apart from these, the Board reserved for its consideration and decision on major acquisition and disposals, review of interim and annual financial results, appointments/removals of directors and auditor, evaluation on the performance and compensation of senior management, any material capital transactions and other significant operational and financial affairs. With a review to maintaining an appropriate balance of authority and responsibility, such functions are either carried out directly by the Board or indirectly through various committees established by the Board, with respective functions set out in their terms of reference.

INEDs account for diverse industry expertise but are not involved in the day-to-day management of the Group. The general management and day-to-day management are delegated to the management, including but not limited to the preparation of regular financial information, execution of designated assignments, implementation of sustainability practices.

The Directors having material interest in the matter shall abstain from voting at such Board meeting and the INEDs with no conflict of interest shall attend at such meeting to deal with the matters.

All Directors ensure that they can give sufficient attention to discharge their responsibilities to the affairs of the Company and the Directors have disclosed to the Company the identity and nature of offices held in any public organisation and other significant commitments on an annual basis.

During the year, regular Board meetings of the Company were held four times to review, consider and approve, among others, annual and interim results and to review the business operations and the effectiveness of internal control systems of the Group. Apart from these regular meetings, Board meetings are also held, as and when necessary, to consider major issues. At least 14 days' notice for each regular meeting is given to all Directors. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director. Apart from the regular board meetings, the chairman also met with the INEDs without the presence of executive Directors during the year.

The roles of the Chairman and the managing director held by Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, respectively, are separate to reinforce their respective independence and accountability. Their respective responsibilities are clearly segregated and defined in writing by the Board, the chairman of the Company is primarily responsible for the overall strategic planning, management and leadership of the Board and ensuring all Directors receive accurate and timely information, while the functions of a managing director is responsible for the day-to-day business management and implementation of the business strategies adopted by the Board.

Appointment and Re-election of the Directors

All INEDs are appointed with specific term set out under respective letters of appointment or service agreements and all of them are subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings in accordance with the Bye-laws of the Company (the "**Bye-law(s)**"). All INEDs are appointed for a term of not more than three years. Pursuant to code provisions A.4.2 and the Bye-law 87, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation, provided that every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years, and shall be eligible for re-election at each annual general meeting. In addition, Directors who are appointed by the Board to fill casual vacancies or as an addition to the existing Board are subject to re-election at the first general meeting of the Company after his/her appointment.

Independence of INEDs

The INEDs are required to confirm their independence upon their appointment and on an annual basis. The Company has received from each INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2017. The Company continues to consider all the INEDs to be independent for the year under review and up to the date of this report.

Corporate Governance

The Board has undertaken the responsibility for performing the corporate governance duties pursuant to code provision D.3.1 of the CG Code and is committed to ensuring that an effective governance structure is in place to continuously review, monitor and improve the corporate governance practices within the Group with regard to the prevailing legal and regulatory requirements.

The Board has adopted a Board diversity policy (the "**Diversity Policy**") stipulating the composition of the Board, reviewed the policies and measures on the Group's corporate governance, reviewing a code of conduct applicable to the Directors and employees, monitoring the Company's legal and regulatory compliance, training and continuing professional development of Directors and reviewing the Company's compliance with the CG Code and the disclosure in this report.

This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

Board Diversity

The Company notes increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives, sustainable and balanced development. In June 2013, the Company adopted a Diversity Policy which sets out the approach to diversify the Board. The nomination committee of the Company reviews and assesses Board composition on behalf of the Board and will recommend the appointment of new Director, when necessary, pursuant to the Diversity Policy.

In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The nomination committee of the Company will also consider factors based on the Company's business model, specific needs and meritocracy from time to time in determining the optimum composition of the Board.

During the period under review, the Board comprises seven Directors, including three executive Directors and four INEDs, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional experience, skills and knowledge.

Having reviewed the Board Diversity Policy and the Board's composition, the nomination committee of the Company is satisfied that the requirements set out in the Diversity Policy had been met.

Continuous Professional Development

All Directors are encouraged to participate in continuous professional development so as to develop and refresh Directors' knowledge and skills and to ensure that their contribution to the Board remains informed and relevant. The company secretary regularly circulates training materials or briefings to all Directors in respect of the updates on, among other things, the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") or guidelines, the Companies Ordinance and financial or accounting standards which may be of the interest to Directors.

In addition, the company secretary also provides and circulates to the Directors with monthly and regular updates relating to the Group's business, financial position and business environment, in which the Group operates. During the year, all Directors have complied with the code provisions in relation to continuous professional development, apart from reading materials relevant to the Company's business, director's duties and responsibilities. Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Dr. Lee Peng Fei, Allen and Mr. Siu Kam Chau also attended and/or gave presentation in seminars/forums.

The Company continuously updates Directors constantly on the latest developments regarding the Group's business and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, all Directors have provided to the Company with their training records on a regular basis, and such records have been maintained by the company secretary for accurate and comprehensive record keeping.

Liability Insurance for the Directors

The Company has arranged for appropriate directors and officers liability insurance to indemnify its Directors against liabilities arising out of legal action on corporate activities. Such insurance coverage is reviewed and renewed with consultant advice on an annual basis.

BOARD COMMITTEES

The Board has established various committees, including the executive committee (the "**Executive Committee**"), audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**"), nomination committee (the "**Nomination Committee**") and investment committee (the "**Investment Committee**"), each of which has the specific written terms of reference that will be reviewed and updated, where necessary. Minutes of all meetings and resolutions of the committees are kept by the company secretary and open for inspection at any reasonable time on reasonable notice by any Director. Each committee is required to report to the Board on its decision and recommendations, where appropriate.

Executive Committee

The Executive Committee has been established since 2005 with specific terms of reference with authority delegated by the Board and is responsible for general management, supervising the day-to-day management, performance and operations in accordance with the business strategy and keeping under review strategy and business development initiatives of the Group and monitoring their implementation. The Executive Committee comprises three members, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas and Mr. Tang Ching Ho takes the chair of the Executive Committee.

Audit Committee

The Audit Committee has been established since December 1999 with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company and the Stock Exchange. Currently, the Audit Committee comprises three INEDs, namely, Mr. Siu Yim Kwan, Sidney, Mr. Wong Chun, Justein and Mr. Siu Kam Chau, which is chaired by Mr. Siu Yim Kwan, Sidney.

The functions of the Audit Committee is, among others, to assist the Board to review the financial reporting, including interim and final results, to supervise over the Group's internal controls, risk management and to monitor the internal and external audit functions, the appointment, reappointment and removal of auditor and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to be in compliance with the code provision of the CG Code (as amended from time to time) and to ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting and financial reporting function.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the year under review, the Audit Committee members met twice with the Group senior management and the external auditor to discuss and review the following matters:

(a) the annual results for the year ended 31 March 2016 and the interim results for the six-month ended 30 September 2016 to ensure the full, complete and accurate disclosure in the aforesaid financial statements pursuant to the accounting standards and other legal requirement for presenting the same to the Board for approval;

(b) the term and remuneration for the appointment of Ernst & Young as external auditor to perform the agreed-upon of the final results for the year ended 31 March 2016 and the general review on the interim results for the six-month ended 30 September 2016;

(c) the independence of the external auditor especially for those non-audit services;

(d) the continuing connected transaction of the Group;

(e) the overall effectiveness of internal control and risk management systems; and

(f) the adequacy of resources, qualifications and experience of staff, the accounting and financial reporting matters and their training programmes and budget.

The Audit Committee is satisfied with, *inter alia*, the audit fees, effectiveness of the audit process, independence and objectivity of Ernst & Young and has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditor for the ensuing year at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Board has established the Remuneration Committee since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange. It currently consists of seven members, including Mr. Wong Chun, Justein, being elected as the chairman of the Remuneration Committee, Dr. Lee Peng Fei, Allen, Mr. Siu Yim Kwan, Sidney, Mr. Siu Kam Chau, Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, a majority of whom are INEDs.

The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy and its terms of reference, if considered necessary.

The roles and functions of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy on the basis of basic salary and allowances, discretionary bonus and share options;

(b) to review and approve the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including, but not limited to, benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the directors' fee of the INEDs with reference to the range of remuneration of other non-executive directors in the similar industry and allow any out-of-pocket expenses incurred in connection with the performance of their duties;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

(g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate.

During the year under review, the Remuneration Committee held one meeting, in which it reviewed the existing remuneration policies by reference with the market research, communicated with the chairman and managing Director and recommended amendments to the existing remuneration policies and performance-based bonus and approved the remuneration package and performance-based bonus paid to the other Directors and senior management of the Company. No Director took part in any discussion or determination about his own remuneration.

The Remuneration Committee has discharged or will continue to discharge its major roles to, among other things, approve the terms of the service agreements of the Directors and the senior management, make recommendations with respect to the remuneration and policies of the Directors and senior management of the Company and to review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2017 is set out below:

Remuneration to the senior management by bands	**Number of individual**
Below HK$500,000	2
HK$500,000 to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
Over HK$1,500,000	3

Nomination Committee

The Nomination Committee has been established since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange. It currently consists of seven members, including Dr. Lee Peng Fei, Allen, being elected as the chairman of the Nomination Committee, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney, Mr. Siu Kam Chau, Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, a majority of whom are INEDs.

The role and function of the Nomination Committee are as follows:

(a) to review and evaluate the structure, size and composition (including diversity, skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of INEDs;

(d) to monitor the continuous professional development of the Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive;

(f) where the Board proposes a resolution to elect an individual as an INED at the general meeting, the Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent; and

(g) the chairman or another member of the Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Diversity Policy and its terms of reference, if considered necessary.

During the year under review, the Nomination Committee held one meeting, in which it determined the criteria and procedures for retirement by rotation and recommended to the Board for re-appointment of Directors at the forthcoming annual general meeting. The Nomination Committee also reviewed the Diversity Policy and evaluated the Board performance and succession planning.

Investment Committee

The Investment Committee has been established since June 2012 with specific terms of reference for purposes of effectively determining the investment strategy and plan, monitoring the execution of investment strategy and adjusting the investment strategy. The Investment Committee comprises three members, namely Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Mr. Siu Kam Chau, which is chaired by Mr. Tang Ching Ho and one meeting held of this committee during the year under review.

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

Details of the attendance of individual Directors at Board meetings, committee meetings and shareholder meetings held during the year ended 31 March 2017 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual general meeting	General meeting
Tang Ching Ho	4/4	N/A	1/1	1/1	1/1	1/1	0/1
Yau Yuk Yin	4/4	N/A	1/1	1/1	N/A	1/1	0/1
Chan Chun Hong, Thomas	4/4	N/A	1/1	1/1	1/1	1/1	1/1
Lee Peng Fei, Allen	4/4	N/A	1/1	1/1	N/A	1/1	0/1
Wong Chun, Justein	4/4	2/2	1/1	1/1	N/A	1/1	0/1
Siu Yim Kwan, Sidney	4/4	2/2	1/1	1/1	N/A	1/1	0/1
Siu Kam Chau	4/4	2/2	1/1	1/1	1/1	1/1	0/1

EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor, Ernst & Young, for the year ended 31 March 2017, are set out as follows:

Services rendered for the Group	Fees paid/ payable to Ernst & Young *HK$'000*
Audit services	
– annual financial statements	5,750
Non-audit services:	
– agreed-upon procedures	830
– taxation and professional services	927
– other professional services	2,560
Total:	10,067

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 March 2017, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the accounts is prepared on a going concern basis and they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Directors continue to explore any opportunities with potential investors to enhance its financial position and business development of the Group by way of refinancing, extension of borrowings and/or fund raising.

A statement by the auditor about their reporting responsibilities is set out on pages 65 to 71 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has undertaken the overall responsibility for evaluating and determining the nature and extent of risks it willing to take for maintaining a sound and effective risk management and internal control systems covering financial, operational, compliance and risk management aspects to safeguard the Company's assets and shareholders' interests.

The Audit Committee reviews and monitors the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications, experience and training programmes and budget of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is delegated for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest against misstatement or loss and to manage risks of failure in the Group's operational systems. The management report from time to time of their findings and remedies to the Board for its consideration.

The Group has established risk management procedures to address and handle the all significant risks associate with the businesses of the Group. The Board would perform annual or periodical review on any significant or dynamic change of the business environment and establish procedures to response the risks result from significant change of business environment.

The management would identify the risks associate with the businesses of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follows:

(a) risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

(b) risk avoidance: change business process or objective so as to avoid the risk;

(c) risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market; and

(d) risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Review on Risk Management and Internal Control

During the year under review, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. All findings and recommendations on internal control deficiencies were communicated with the Audit Committee and the Board. The management confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2017 and the Board satisfied that they were effective and in compliance with our policies.

The Board conducted annual review and considered that, for the year ended 31 March 2017, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company aims at promoting and maintaining effective communications with shareholders and investors (both individuals and institutions) (collectively the "**Stakeholders**") to ensure that the Group's information is disseminated to Stakeholders in a timely manner and enable them to have a clear assessment of the enterprise performance. A shareholders communication policy has been adopted by the Company and the same is available on the website of the Company. Other major means of communications includes:

Disclosures in Corporate Website

Extensive information on the Group's activities and financial position will be disclosed in the annual reports, interim reports, announcements, circulars and other corporate communications which will be sent to shareholders and/or published on the website of the Stock Exchange (*www.hkex.com.hk*) and the Company (*http://www.wangon.com*). Other inside information is released by way of formal public announcements as required by the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

General Meeting with Shareholders

The Company also acknowledges that annual general meetings and various general meetings are valuable forums for the Board to communicate directly with the shareholders and members of the Board and the members of various committees are encouraged to attend and answer questions at such general meetings.

In order to let shareholders to make an informed decision at the general meetings, sufficient notices with not less than 10 clear business days for every general meeting and 20 clear business days for every annual general meeting were given to the shareholders of the Company pursuant to E.1.3 of the CG Code, the Bye-laws and any other applicable laws. The chairman will explain the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All resolutions put to vote at general meetings are taken by poll and the poll results are posted on the website of the Company and the Stock Exchange immediately following the holding of the general meetings.

Investor Relations

The Group also has a proactive investor relations programme that keeps investors and shareholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year, we held various meetings with investors and participated in investor and press conferences.

Shareholders' Rights Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981 (the "**Companies Act**") and bye-law 58 of the Bye-laws, the Board whenever it thinks fit call special general meetings and shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary of the Company to require a special general meeting (the "**SGM**") to be called by the Board. The written requisition (i) must state the purposes of the SGM; and (ii) must be signed by the requisitionists and deposited at the principal place of business of the Company in Hong Kong at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong for attention of the Board or the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two (2) months after the deposit of such requisition.

Such requisitions will be verified by the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary of the Company will inform the Board to convene a SGM by serving sufficient notice to all shareholders of the Company. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them may convene a SGM in accordance with the provisions of Section 74(3) of the Companies Act, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Companies Act, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the principal place of business in Hong Kong at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or the Company's branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are set out in the "Corporate Governance" under section headed under "Corporate Profile" on the website of the Group at *http://www.wangon.com*.

Enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board in writing by email to *pr@wangon.com* or by addressing their enquiries to the Board or the Company Secretary in the following manners:

In respect of the corporate affairs:
Company Secretary/PR Manager
Wang On Group Limited
Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

In respect of the other shareholding/entitlement affairs:
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy to facilitate the achieving of high possible standards of openness, probity and accountability. Procedures are formulated to enable individual employees to disclose internally and at a high level, information which the individual believes that it shows malpractice or impropriety within the Group. During the year under review, no incident of fraud or misconduct was reported from employees that have material effect on the Group's financial statements and overall operations.

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita, who was appointed as a full-time employee company secretary of the Group, reports directly to the Board and is responsible for, *inter alia*, providing updated and timely information to all Directors from time to time.

During the year ended 31 March 2017, Ms. Mak has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

CONSTITUTIONAL DOCUMENT

During the year ended 31 March 2017, there was no change in the constitutional document. The Memorandum of Association and the amended and restated Bye-laws are available on the websites of the Stock Exchange and the Company at (*www.hkex.com.hk*) and (*http://www.wangon.com*), respectively.

CONCLUSION

Going ahead, the Group will continue to review regularly its corporate governance practices to maintain high level of transparency, to enhance the Company's competitiveness and operating efficiency and to ensure its sustainable development and to generate greater returns for the Stakeholders.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries comprise property development, property investment, management and sub-licensing of Chinese wet markets, treasury management and production and sales of pharmaceutical health food products and personal care products. Details of which are set out in note 1 to the financial statements. Apart from the consolidation of WYT's business in the Group, there was no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 72 to 193.

For the year ended 31 March 2017, the Group's revenue and profit attributable to owners of the parent amounted to approximately HK$869.4 million (2016: approximately HK$916.9 million) and approximately HK$423.7 million (2016: approximately HK$449.1 million) respectively.

The Board has recommended the payment of a final dividend of HK0.5 cent (2016: HK0.5 cent) per ordinary share for the year ended 31 March 2017 to shareholders whose names appear on the register of members of the Company as of Wednesday, 6 September 2017. The final dividend will be paid on or around Friday, 22 September 2017, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 August 2017. Together with the interim dividend of HK0.1 cent (30 September 2015: HK0.1 cent) per ordinary share, the total dividends for the year ended 31 March 2017 will be HK0.6 cent (2016: HK0.6 cent) per ordinary share.

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

The business review and the key financial performance indicators to the businesses of the Group, including, among other things, the information set out below, are disclosed in the "Management Discussion and Analysis" on pages 10 to 21 of this report:

(a) a fair review of the Group's business;

(b) principal risk factors;

(c) an analysis using financial key performance indicators; and

(d) future development in the Group's business.

As far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 196 of this report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 33 and 34 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

DISTRIBUTABLE RESERVES

At 31 March 2017, the Company's reserves available for distribution to equity holders of the parent, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$1,165.9 million (2016: approximately HK$1,303.5 million), of which approximately HK$96.4 million has been proposed as a final dividend for the year ended 31 March 2017.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that for the time being acting in relation to any of the affairs of the Company, every Director and other officers shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, losses, damages and expenses which they may incur or sustain by or by reason of any act done about the execution of the duties of their respective office or otherwise in relation thereto. The Company had arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Group for the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, sales to the Group's five largest customers accounted for less than 20% (2016: 14.8%) of the total sales for the year and the sales to the largest customer included therein accounted to approximately 10.1%. Purchases from the Group's five largest suppliers accounted for approximately 68% (2016: approximately 82.2%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 32% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Tang Ching Ho, *SBS, JP, Chairman*
Ms. Yau Yuk Yin, *Deputy Chairman*
Mr. Chan Chun Hong, Thomas, *Managing Director*

Independent Non-Executive Directors

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

In accordance with Bye-law 87 of the Bye-laws, Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Siu Kam Chau will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all independent non-executive Directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 24 of this report.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 8 and 43 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Mr. Chan Chun Hong, Thomas, the managing Director and also the chairman and managing director of EOF, which has been principally engaged in, among others, financing business since November 2015, was considered to have an interest in business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group. Save as disclosed herein, none of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company:

Name of Director	Number of ordinary shares held, capacity and nature of interest					Approximate percentage of the Company's total issued share capital *(Note f)*
	Personal interest	Family interest	Corporate interest	Other interest	Total	%
Mr. Tang Ching Ho ("**Mr. Tang**")	28,026,339	28,026,300 *(Note a)*	4,938,375,306 *(Note b)*	4,989,928,827 *(Note c)*	9,984,356,772	51.76
Ms. Yau Yuk Yin ("**Ms. Yau**")	28,026,300	4,966,401,645 *(Note d)*	–	4,989,928,827 *(Note e)*	9,984,356,772	51.76

Notes:

(a) Mr. Tang was taken to be interested in those shares in which his spouse, Ms. Yau, was interested.

(b) Mr. Tang was taken to be interested in those shares in which Caister Limited ("**Caister**"), a company which is wholly and beneficially owned by him, was interested.

(c) Mr. Tang was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.

(d) Ms. Yau was taken to be interested in those shares in which her spouse, Mr. Tang, was interested.

(e) Ms. Yau was taken to be interested in those shares by virtue of being a beneficiary of Tang's Family Trust.

(f) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2017 of 19,288,520,047 shares.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, "Share Option Scheme" below and in the share option scheme disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The share options scheme(s) of the Company

The Company adopted a new share option scheme (the "**2012 Scheme**") at the annual general meeting of the Company held on 21 August 2012 for the primary purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The 2012 Scheme became effective on 21 August 2012 and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 year from that date.

Under the 2012 Scheme, share options may be granted to any Director or proposed Director (whether executive or non-executive, including INEDs), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants (the "**Participants**").

Under the 2012 Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company for a consideration of HK$1.00 for each lot of share options granted which must be accepted within 30 days from the date offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the 2012 Scheme, the maximum number of share options that may be granted under the 2012 Scheme and any other share option schemes of the Company is an amount, upon their exercise, not in aggregate exceeding 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme and any other schemes shall not in aggregate exceed 10% of the number of shares in issue, as at the date of approval of the 2012 Scheme limit.

The maximum number of shares issuable under share options to each Participant (except for a substantial shareholder or an INED or any of their respective associates) under the 2012 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders with such Participant and his associates abstaining from voting.

Share options granted to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the INEDs (excluding any INED who is the grantee of the option). Where any grant of share options to a substantial shareholder or an INED (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2012 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an INED (or any of their respective associates) is also required to be approved by shareholders.

Share options granted to a Director, chief executive or substantial shareholder of the Company (or The exercise price must be at least the higher of (i) the official closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

During the year, no share options under the 2012 Scheme were granted, exercised, cancelled or lapsed. As at the end of the reporting period, the Company had no outstanding share options under the 2012 Scheme.

As at the date of this report, the total number of shares available for issue under the 2012 Scheme is 652,493,502 shares, representing 3.4% of the share capital of the Company in issue at the date of this report.

Other particulars of the 2012 Scheme are set out in note 34 to the financial statements.

The share options scheme(s) of WOP

WOP adopted a share option scheme (the "**WOP Share Option Scheme**") with the approval of the shareholders of WOP and the Company at the respective annual general meetings held on 9 August 2016 for the primary purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The WOP Share Option Scheme became effective on 9 August 2016 and, unless otherwise terminated earlier by its shareholders at a general meeting, will remain in force for a period of 10 years from that date.

Under the WOP Share Option Scheme, share options may be granted to any director or proposed director (whether executive or non-executive, including independent non-executive directors), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the WOP Group, or its holding company, substantial shareholder or any company controlled by its substantial shareholder, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the WOP Group or any of its substantial shareholder or company controlled by its substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants (the "**WOP Participants**").

The board of directors or WOP may grant share options to WOP Participants to subscribe for shares of WOP for a consideration of HK$1.00 for each lot of share options granted which must be accepted within 30 days from the offer date. Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings of WOP.

The maximum number of share options that may be granted under the WOP Share Option Scheme is the number, upon their exercise, not in aggregate exceeding 30% of the issued share capital of WOP from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the WOP Share Option Scheme and any other schemes shall not in aggregate exceed 10% of the number of shares in issue, as at the date of approval of the WOP Share Option Scheme, or as refreshed.

The maximum number of WOP shares issuable under share options to each WOP Participant (except for a WOP substantial shareholder or a WOP INED or any of their respective associates) under the WOP Share Option Scheme within any 12-month period is limited to 1% of the number of shares of WOP in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders of WOP and the Company with such WOP Participant and his/her associates abstaining from voting. Share options granted to a director, chief executive or substantial shareholder of WOP (or any of their respective associates) must be approved by the independent non-executive directors of WOP (excluding any independent non-executive directors of WOP who is the grantee of the options).

Where any grant of share options to a substantial shareholder or an independent non-executive directors of WOP (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the WOP Share Option Scheme and any other share option schemes of WOP (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of WOP's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders of WOP and the Company at a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director of WOP (or any of their respective associates) is also required to be approved by shareholders of WOP and the Company.

The exercise price must be at least the higher of (i) the official closing price of the shares of WOP as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day; (ii) the average closing prices of the shares of WOP as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of WOP.

As at the date of this annual report, the total number of WOP's shares available for issue under the WOP Share Option Scheme is 1,520,000,000 shares, representing 10.0% of the share capital of WOP in issue at the date of this annual report.

During the year, no share options were granted, exercised, lapsed, cancelled or outstanding under the WOP Share Option Scheme.

Other particulars of the WOP Share Option Scheme are set out in note 34 to the financial statements.

The share options scheme(s) of WYTH

WYTH has became a subsidiary of the Company immediately upon completion of the WYTH Rights Issue. At the annual general meeting of WYTH held on 22 August 2013, its shareholders approved the termination of the share option scheme previously adopted on 18 September 2003 (the "**WYTH 2003 Scheme**") and the adoption a new share option scheme (the "**WYTH 2013 Scheme**") for the primary purpose of providing incentive and rewards to eligible participants who contribute to the success of the WYTH Group's operations. Upon termination of the WYT 2003 Scheme, no share options was granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercisable period in accordance with the terms of the WYTH 2003 Scheme. The WYTH 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders of WYTH and the Company at their respective general meetings, will remain in force for a period of 10 years from that date.

Pursuant to the WYTH 2013 Scheme, share options may be granted to any director or proposed director (whether executive or non-executive, including the independent non-executive directors) of WYTH, employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the WYTH Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the WYTH Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants (the "**WYTH Participants**").

Under the WYTH 2013 Scheme, the board of directors of WYTH may grant share options to the WYTH Participants to subscribe for shares of WYTH for a consideration of HK$1.00 for each lot of share options granted which must be accepted within 30 days from the offer date. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the WYTH 2013 Scheme, the maximum number of share options that may be granted under the WYTH 2013 Scheme and any other share option schemes of WYTH is the number, upon their exercise, not in aggregate exceeding 30% of the issued share capital of WYTH from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the WYTH 2013 Scheme and any other schemes shall not in aggregate exceed 10% of the number of shares in issue, as at the date of approval of the 2013 Scheme limit or as refreshed from time to time.

The maximum number of shares issuable under share options to each WYTH Participant (except for a substantial shareholder or an independent non-executive director of WYTH or any of their respective associates) under the WYTH 2013 Scheme within any 12-month period is limited to 1% of the number of shares of WYTH in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders of WYTH and the Company with such WYTH Participant and his associates abstaining from voting. Share options granted to a director, chief executive or substantial shareholder of WYTH (or any of their respective associates) must be approved by the independent non-executive directors (excluding any independent non-executive directors who is the grantee of the option) of WYTH.

Where any grant of share options to a substantial shareholder or an independent non-executive directors of WYTH (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the WYTH 2013 Scheme and any other share option schemes of WYTH (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of WYTH's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders of WYTH and the Company at a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director (or any of their respective associates) is also required to be approved by shareholders of WYTH and the Company.

The exercise price must be at least the higher of (i) the official closing price of the shares of WYTH as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day; (ii) the average closing prices of the shares of WYTH as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of WYTH.

Details of the movements of the share options under the WYTH 2003 Scheme during the year ended 31 March 2017 were as follows:

Name or category of WYTH Participant	Number of share options: Outstanding as at 1 April 2016	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the period *(Note 1)*	Outstanding as at 31 March 2017	Date of grant	Adjusted exercise price per share *(Note 1)* HK$	Exercisable period *(Note 2)*
WYTH executive director									
Ms. Tang Mui Fun	4,077	–	–	–	477	4,554	8.1.2009	20.6927	8.1.2010–7.1.2019
	4,077	–	–	–	477	4,554			
Other employees of WYTH									
In aggregate	20,256	–	–	(5,478)	1,899	16,677	8.1.2009	20.6927	8.1.2010–7.1.2019
	29,538	–	–	(6,179)	2.987	26,346	12.5.2010	7.4197	12.5.2011–11.5.2020
	49,794	–	–	(11,657)	4,886	43,023			
	53,871	–	–	(11,657)	5,363	47,577			

Note:

1. The numbers and exercise prices of the share options were adjusted immediately upon completion of the WYTH Rights Issue.

2. The share options granted under the WYTH 2003 Scheme were vested as follows:

On the 1st anniversary of the date of grant:	30% vested
On the 2nd anniversary of the date of grant:	Further 30% vested
On the 3rd anniversary of the date of grant:	Remaining 40% vested

At the end of the reporting period, WYTH had 47,577 share options outstanding under the WTYH 2003 Scheme. The exercise in full of these share options would, under the present capital structure of WYTH, result in the issue of 47,577 additional ordinary shares of WYTH and additional share capital of HK$476 and share premium of HK$635,000 (before expenses). During the year, no share options under the WYTH 2013 Scheme was granted and outstanding and no share options under the WYTH 2003 Scheme were exercised or cancelled and 11,657 share options lapsed during the year.

As at the date of this report, the total number of WYTH's shares available for issue under the WYTH 2013 Scheme is 31,628,572 shares, representing 2.5% of the total issued share capital of WYTH.

Other particulars of the WTYH 2003 Scheme and the WYTH 2013 Scheme are set out in note 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2017, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders, had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the ordinary shares of the Company:

Name of shareholder	*Notes*	**Capacity**	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 5)* %
Caister	*(1)*	Beneficial owner	4,938,375,306	25.60
Accord Power Limited ("**Accord Power**")	*(2)*	Beneficial owner – Tang's Family Trust	4,989,928,827	25.87
Fiducia Suisse SA	*(3)*	Interest of controlled corporation – Trustee	4,989,928,827	25.87
David Henry Christopher Hill	*(3)*	Interest of controlled corporation	4,989,928,827	25.87
Rebecca Ann Hill	*(4)*	Family interest	4,989,928,827	25.87

Notes:

(1) Caister, a company wholly owned by Mr. Tang Ching Ho, beneficially owned 4,938,375,306 shares.

(2) Accord Power is wholly owned by Fiducia Suisse SA in its capacity as the trustee of Tang's Family Trust. Accordingly, Fiducia Suisse SA was taken to be interested in those shares held by Accord Power.

(3) Fiducia Suisse SA is the trustee of the Tang's Family Trust. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill, and accordingly, Mr. David Henry Christopher Hill was taken to be interested in those shares in which Fiducia Suisse SA was interested.

(4) Ms. Rebecca Ann Hill is the spouse of Mr. David Henry Christopher Hill and was therefore taken to be interested in the shares in which Mr. David Henry Christopher Hill was interested.

(5) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2017 of 19,288,520,047 shares.

Save as disclosed above, as at 31 March 2017, no persons, other than Directors, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE SOCIAL RESPONSIBILITY

While the Group endeavours to promote business development and strive for greater rewards for its stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. In the past years, the Group made charity donations to organisations included Yan Oi Tong, Hong Kong New Arrivals Services Foundation Limited, Live In Harmony Fund Limited and Chi Lin Nunnery and various non-government and not for profit organisations.

In light of the ever greater disparity between rich and poor in Hong Kong society developed in recent years, people from the lower class face escalating pressure in making a living. Yearns of this group of people are not only on tangible resources and financial support, but also care and respect from the general public. The Group will continue to devote further resources and effort towards achieving the goal of a socially responsible business.

ENVIRONMENTAL MATTERS

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper-recycling culture and energy-saving culture within our Group. The Group also participated in the BEAM Plus assessment scheme, a comprehensive environmental assessment scheme for buildings recognised by the Hong Kong Green Building Council, for the development of some of our properties, including “The Met. Delight”, “The Met. Blossom”, “The Met. Bliss” and “The Met. Acappella” by engaging a third-party consultancy company for the provision of services in respect of BEAM Plus Certification and other environmental assessments.

The Group also outsourced all of the construction related work for our property development projects to independent construction companies. The contractors in relation to the property development business of the Group are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control. The Group will take every effort to ensure its contractors comply with all those requirements.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group recognised enhancing and maintaining good relationships with suppliers and customers are essential for the Group’s overall growth and development. The Group placed specific caution on selection of quality suppliers and customers and encourages fair and open competition to foster long-term relationships with of quality suppliers on the basis of mutual trust. The Group has kept good communications and shared business updates with them when appropriate.

CONNECTED TRANSACTION

On 20 November 2013, the Company, through its wholly-owned subsidiary, namely Richly Gold Limited (as the landlord), entered into a tenancy agreement with Ms. Yau Yuk Yin, the Deputy Chairman of the Company, (as the tenant) in respect of the lease of a premise located at Winners Lodge, Nos. 9-15 Ma Yeung Path, Kau To Shan, Shatin, New Territories, Hong Kong for a term of three years commencing from 15 November 2013 and expiring on 14 November 2016 at a monthly rental of HK$100,000, which constituted a continuing connected transaction (the "**Continuing Connected Transaction**") for the Company during the year ended 31 March 2017 and subject to annual review pursuant to Rules 14A.55 and 14A.56 of the Listing Rules. The rental income received by Richly Gold Limited from 1 April 2016 to 14 September 2017 amounted to approximately HK$747,000 which was within the specified cap.

Upon expiry of the tenancy agreement and on 8 December 2016, Richly Gold Limited entered into a new tenancy agreement with Ms. Yau Yuk Yin for renewal of the term for further three years commencing from 15 November 2016 at a monthly rental of HK$100,000 (the "**New Agreement**"). Subsequent to the amendment to the Listing Rules in July 2014, the New Agreement is exempted from disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Directors (including all of the INEDs) have reviewed and confirmed that the Continuing Connected Transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) in accordance with the terms of the agreement governing such transaction on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iv) has not exceeded the specified cap.

Ernst & Young, the Company's auditors, were engaged to report on the Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Further details of other related party transactions undertaken by the Group in the ordinary course of business, which fell under Rule 14A.73 of the Listing Rules, during the year are set out in note 43 to the financial statements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and save as disclosed above, there were no other transactions which need to be disclosed as continuing connected transaction in accordance with the requirements of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.12 AND 13.20 OF THE LISTING RULES

At the end of the reporting period, the Group, through its subsidiaries, had advanced the following financial assistance:

(a) pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), Double Leads Investments Limited ("**Double Leads**"), an indirectly wholly-owned subsidiary of the Company, subscribed for (i) up to an aggregate principal amount of HK$200.0 million two-year 8.5% coupon bonds (the "**2016 Bonds**"); and (ii) up to an aggregate principal amount of HK$330.0 million five-year 10.0% coupon bonds due in November 2019 (the "**2019 Bonds**") issued by CAP (the "**Bond Subscription**"). The 2016 Bonds were repaid by CAP on 24 October 2016. A sum of HK$200.0 million of 2019 Bonds were sold to Winning Rich Investments Limited ("**Winning Rich**"), an indirectly wholly-owned subsidiary of WYT, pursuant to the bond transfer agreement dated 5 July 2016 (as supplemented on 8 July 2016), details of which were set out in the announcement dated 8 July 2016 jointly issued by the Company and WYTH;

(b) Winning Rich, subscribed for HK$720.0 million of the 2019 Bonds pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014) and acquired a sum of HK$200.0 million of the 2019 Bonds from Double Leads pursuant to the bond transfer agreement dated 5 July 2016 (as supplemented on 8 July 2016); and

(c) on 17 August 2015, Double Leads, as the lender, and CAP, as the borrower, entered into a loan agreement, under which Double Leads agreed to make available to CAP an unsecured revolving credit facility in a sum of HK$100.0 million for a term of 36 months at an interest rate of 12% per annum. As at 31 March 2017 and up to the date of this report, HK$70.0 million have been drawn down.

Subsequent to the reporting period, the Group, through its subsidiaries, granted the following financial assistance:

(a) on 29 May 2017, Double Leads, as the lender, and CAP, as the borrower, entered into the extension agreement, under which Double leads agreed to extend the interest payment date for a sum of HK$6,478,000 ("**DL Interest**") from 29 May 2017 to 31 August 2017 at an interest rate of 12% per annum on the DL Interest; and

(b) on 29 May 2017, Winning Rich, as the lender, and CAP, as the borrower, entered into the extension agreement, under which Winning Rich agreed to extend the interest payment date for a sum of HK45,849,000 ("**WR Interest**") from 29 May 2017 to 31 August 2017 at an interest rate of 12% per annum on the WR Interest.

Therefore, at the end of the reporting period, CAP was indebted to the Group a sum of an aggregate principal amount of HK$1,120.0 million. As at the date of this report, CAP was indebted to the Group an aggregate principal amount of approximately HK$1,172.3 million.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$10.5 million (2016: approximately HK$12.0 million).

EMOLUMENT POLICY

The Group's emolument policy for its employees is set up and approved by the Remuneration Committee and the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee and the Board, as authorised by the shareholders at the annual general meeting, having regarded to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 33 to 47 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules throughout the financial year and up to the date of this report.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific terms of reference in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Siu Yim Kwan, Sidney, Mr. Wong Chun, Justein and Mr. Siu Kam Chau. Mr. Siu Yim Kwan, Sidney was elected as the chairman of the Audit Committee.

During the year, the Audit Committee met twice with the management and the external auditor to review and consider, among other things, the accounting principles and practices adopted by the Group, the financial report matters (including the review of consolidated interim results for the six-month ended 30 September 2016), the statutory compliance, internal controls, continuing connected transaction(s) 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 consolidated financial statements for the year ended 31 March 2017 have been reviewed by the Audit Committee with the management and external auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group after the reporting period are set out in note 47 to the financial statements.

AUDITOR

The financial statements for the year ended 31 March 2017 have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tang Ching Ho
Chairman

Hong Kong, 21 June 2017

INDEPENDENT AUDITOR'S REPORT

EY 安永

To the shareholders of Wang On Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wang On Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 193, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter

Purchase price allocation for a business combination

On 29 September 2016, Wai Yuen Tong Medicine Holdings Limited ("WYTH") completed a rights issue on the basis of three rights shares for every one WYTH share at HK$0.43 per share (the "WYTH Rights Issue"). The Group subscribed for 579,492,205 WYTH shares and as a result, the Group's interest in WYTH increased from approximately 22.08% to approximately 51.32% and WYTH became a subsidiary of the Company (the "Step Acquisition").

Management of the Company accounted for the Step Acquisition as a business combination using the acquisition method under HKFRS 3 (Revised) *Business Combinations* and has engaged an external valuer to perform the valuation of the fair value of the net identifiable assets and liabilities of WYTH and its subsidiaries (collectively the "WYTH Group") as at the date of acquisition. A gain on bargain purchase of HK$1,056,230,000 arising from the Step Acquisition was credited to profit or loss during the current financial year.

This area is identified as a key audit matter given the magnitude of the amount and significant management judgement being required to determine the allocation of the purchase price to items with material fair value adjustments, such as trademarks, inventories, property, plant and equipment and interests in associates.

The nature and financial effect of the Step Acquisition of WYTH are disclosed in note 37(a) to the consolidated financial statements.

How our audit addressed the key audit matter

We assessed the independence, competency and relevant experience of the independent external valuer engaged by the Group and involved our internal valuation experts to support us in our audit work.

We evaluated the valuation methodologies and assumptions used in the purchase price allocation by (i) compared the forecasted revenue growth and margins to historical performance of the WYTH Group and involved our internal valuation experts to review the royalty rate and discount rate adopted by the independent external valuer in the valuation of trademarks; (ii) compared the fair value to the actual selling price for the valuation of inventories; (iii) performed benchmarking of the value of properties against other comparable properties and also involved our internal valuation experts to assist us in evaluating the valuation methodologies for plant and equipment; (iv) performed an independent valuation of the listed shares of the associates by multiplying the number of shares held by the WYTH Group and the closing market price of the shares at the date of acquisition for the valuation of interest in a listed associate; and (v) reviewed those items with fair value adjustments and consider if the amount was taxable temporary differences and re-calculated the deferred tax at the applicable tax rates.

Furthermore, we checked the arithmetical accuracy of the amount of the gain on bargain purchase by deducting the fair value of the consideration for the Step Acquisition, which included (i) the fair value of the pre-existing 22.08% equity interests in WYTH; and (ii) cash consideration for the 579,492,205 WYTH shares, from the fair value of the identifiable net assets of the WYTH Group attributable to the Group. We also focused on the adequacy of the Group's disclosures of the business combination in the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and interest receivables and unlisted debt securities	
As at 31 March 2017, the Group had loans and interest receivables and unlisted debt securities amounted to HK$635,515,000 and HK$1,070,976,000, respectively, which represented about 9.9% and 16.7% of the net assets of the Group, respectively. Significant management judgement and estimates were required in determining the recoverability of the loans and interest receivables and unlisted debt investments, with reference to the background and repayment capacity of the debtors, the likelihood of default and the existence of any collateral. The accounting policies and disclosures of loans and interest receivables and unlisted debt investments are included in notes 2.4, 3, 19 and 23 of the consolidated financial statements.	We evaluated the Group's processes and controls over the approval and recording of the loans and interest receivables and reviewed the management's procedures in identifying a loss event. We also evaluated management's impairment assessment by (i) examining the background information and repayment capacity of the debtors such as reviewing the latest available financial information of the debtors and public information about the liquidity and business performance of the debtors; (ii) checking the ownership and making reference to the market values of the collaterals provided by the debtors; and (iii) reviewing the repayment history and repayment plans agreed with the relevant debtors.
Estimation of fair value of investment properties	
The Group holds various investment properties in Hong Kong for rental earning purpose. Such investment properties were measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties was HK$1,668,770,000 as at 31 March 2017, which represented about 26% of the net assets of the Group. Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management of the Company engaged external valuers to perform the valuations of the investment properties as at 31 March 2017. The accounting policies and disclosures of investments properties are included in notes 2.4, 3 and 14 of the consolidated financial statements.	We evaluated the independence, competence and relevant experience of the external valuers engaged by the Company. We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used. In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties under development	
The Group's properties under development are stated at the lower of cost and net realisable value. As at 31 March 2017, the carrying value of the Group's properties under development amounted to HK$3,518,592,000, which represented about 54.8% of the net assets of the Group. Significant estimation is required to determine the net realisable value of the properties under development, which reflects market conditions at the end of the reporting period. Management of the Company engaged an external valuer to perform the valuations of the properties under development as at 31 March 2017. The accounting policies and disclosures of properties under development are included in notes 2.4, 3 and 15 of the consolidated financial statements.	We evaluated the fair value estimation of the properties under development performed by the external valuer with the assistance of our internal valuation specialist. In particular, we evaluated the valuation methodology applied and the assumptions, such as unit cost or unit selling price adopted in the valuation of the properties under development. We also compared the net realisable value to current selling prices for those projects which have commenced pre-sale. We also evaluated the estimated costs to completion of the construction of the properties under development and estimated costs of disposal prepared by Management of the Company. In addition, we assessed the independence, competence and relevant experience of the external valuer engaged by the Company.
Impairment assessment of trademarks and property, plant and equipment	
As at 31 March 2017, the Group had trademarks and property, plant and equipment of approximately HK$68,991,000 and HK$1,172,632,000, respectively, relating to the cash-generating units ("CGUs") of the pharmaceutical business. Since the Group's pharmaceutical business recorded a loss during the current financial year, management of the Company performed impairment assessments of the CGUs by using value in use calculations based on the discounted cash flows. This area is identified as a key audit matter due to the size of the carrying values of the trademarks and property, plant and equipment relating to the pharmaceutical business as well as the significant judgement and estimation involved in the assessment of their recoverable amounts. The accounting policies and disclosures of trademarks and property, plant and equipment are included in notes 2.4, 3 and 16 of the consolidated financial statements.	We evaluated the impairment assessments performed by management of the Company and our procedures included: (i) testing the key assumptions used in the cash flow projections, such as forecasted revenue, gross margin, growth rates, the anticipated useful lives of property, plant and equipment and discount rates; (ii) assessing the accuracy of previous projections by comparison with the current performance; and (iii) obtaining evidence to assess the growth and trading assumptions. We also involved our internal valuation expert to assess the methodology and the discount rates adopted in the cash flow projections. Furthermore, we assessed the adequacy of the disclosures on the impairment test in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	869,357	916,947
Cost of sales		(539,124)	(569,046)
Gross profit		330,233	347,901
Other income and gains, net	5	1,119,438	338,638
Selling and distribution expenses		(181,055)	(49,882)
Administrative expenses		(260,923)	(190,956)
Other expenses		(568,757)	(34,106)
Finance costs	7	(30,357)	(23,993)
Fair value losses on financial assets at fair value through profit or loss, net		(123,752)	(29,656)
Fair value gains on investment properties, net	14	50,118	5,098
Reversal of write-down of properties under development	15	44,411	49,564
Share of profits and losses of:			
A joint venture		10,101	514
Associates		(29,787)	31,695
PROFIT BEFORE TAX	6	359,670	444,817
Income tax credit	10	17,599	3,641
PROFIT FOR THE YEAR		377,269	448,458
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments	19	13,839	33,437
Exchange differences on translation of foreign operations		(1,644)	1,951
Other reserves:			
Release of other reserves for the Step Acquisition of WYTH	37(a)	11,870	–
Share of other comprehensive loss of a joint venture		(3,856)	(4,134)
Share of other comprehensive income of associates		10,568	1,195
		18,582	(2,939)

Year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR		30,777	32,449
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		408,046	480,907
Profit/(loss) attributable to:			
Owners of the parent		423,690	449,077
Non-controlling interests		(46,421)	(619)
		377,269	448,458
Total comprehensive income/(loss) attributable to:			
Owners of the parent		458,409	481,526
Non-controlling interests		(50,363)	(619)
		408,046	480,907
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		HK2.22 cents	HK2.30 cents
Diluted		HK2.22 cents	HK2.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,285,661	92,554
Investment properties	14	1,473,300	579,200
Properties under development	15	415,004	350,000
Trademarks	16	68,991	–
Investment in a joint venture	17	91,338	88,253
Investment in associates	18	95,118	571,469
Available-for-sale investments	19	1,134,828	313,996
Financial assets at fair value through profit or loss	25	14,424	–
Loans and interest receivables	23	80,594	7,196
Deposits and other receivables	24	42,708	1,896
Deferred tax assets	32	25,384	1,577
Total non-current assets		4,727,350	2,006,141
CURRENT ASSETS			
Properties under development	15	3,103,588	2,560,519
Properties held for sale	20	–	91,981
Available-for-sale investments	19	35,879	201,424
Inventories	21	190,658	–
Trade receivables	22	91,764	9,438
Loans and interest receivables	23	554,921	279,622
Prepayments, deposits and other receivables	24	2,008,506	37,425
Financial assets at fair value through profit or loss	25	340,272	343,639
Tax recoverable		6,638	906
Cash and cash equivalents	26	2,369,308	1,287,315
		8,701,534	4,812,269
Assets classified as held for sale	27	196,150	226,059
Total current assets		8,897,684	5,038,328
CURRENT LIABILITIES			
Trade payables	28	124,289	52,444
Other payables and accruals	29	120,369	57,355
Deposits received and receipts in advance		2,797,159	82,254
Interest-bearing bank and other loans	30	792,793	600,047
Provisions for onerous contracts	31	4,080	–
Tax payable		19,280	51,247
		3,857,970	843,347
Liabilities directly associated with the assets classified as held for sale	27	4,049	1,471
Total current liabilities		3,862,019	844,818
NET CURRENT ASSETS		5,035,665	4,193,510
TOTAL ASSETS LESS CURRENT LIABILITIES		9,763,015	6,199,651

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		9,763,015	6,199,651
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	30	3,288,481	1,608,741
Deferred tax liabilities	32	48,276	12,970
Other payables	29	–	21,973
Total non-current liabilities		3,336,757	1,643,684
Net assets		6,426,258	4,555,967
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	192,885	192,885
Reserves	35	4,420,095	4,364,385
		4,612,980	4,557,270
Non-controlling interests		1,813,278	(1,303)
Total equity		6,426,258	4,555,967

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 Note 35(a)	Available-for-sale investment revaluation reserve HK$'000	Share option reserve HK$'000 Note 35 (b)	Exchange fluctuation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		65,249	1,462,363	306,353	(52,974)	34	359	(6,117)	2,415,187	4,190,454	(22)	4,190,432
Profit for the year		–	–	–	–	–	–	–	449,077	449,077	(619)	448,458
Other comprehensive income/(loss) for the year:												
Change in fair value of available-for-sale investments	19	–	–	–	33,437	–	–	–	–	33,437	–	33,437
Exchange differences on translation of foreign operations		–	–	–	–	–	1,951	–	–	1,951	–	1,951
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(4,134)	–	(4,134)	–	(4,134)
Share of other comprehensive income of an associate		–	–	–	–	–	–	1,195	–	1,195	–	1,195
Total comprehensive income for the year		–	–	–	33,437	–	1,951	(2,939)	449,077	481,526	(619)	480,907
Issue of shares upon exercise of share options	33(a)	2	88	–	–	(34)	–	–	–	56	–	56
Bonus Issue	33(b)	130,504	–	–	–	–	–	–	(130,504)	–	–	–
Shares repurchased and cancelled	33(c)	(2,870)	(27,070)	–	–	–	–	–	–	(29,940)	–	(29,940)
Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	(662)	(662)
Final 2015 dividend		–	–	–	–	–	–	–	(65,250)	(65,250)	–	(65,250)
Interim 2016 dividend	11	–	–	–	–	–	–	–	(19,576)	(19,576)	–	(19,576)
At 31 March 2016		192,885	1,435,381*	306,353*	(19,537)*	–*	2,310*	(9,056)*	2,648,934*	4,557,270	(1,303)	4,555,967

Year ended 31 March 2017

	Notes	Attributable to owners of the parent											
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 Note 35(a)	Available-for-sale investment revaluation reserve HK$'000	Treasury shares HK$'000 Note 35(c)	Exchange fluctuation reserve HK$'000	Other reserves HK$'000	Capital reserve HK$'000 Note 35(d)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016		192,885	1,435,381	306,353	(19,537)	–	2,310	(9,056)	–	2,648,934	4,557,270	(1,303)	4,555,967
Profit for the year		–	–	–	–	–	–	–	–	423,690	423,690	(46,421)	377,269
Other comprehensive income/(loss) for the year:													
Changes in fair value of available-for-sale investments	19	–	–	–	18,532	–	–	–	–	–	18,532	(4,693)	13,839
Exchange differences on translation of foreign operations		–	–	–	–	–	(481)	–	–	–	(481)	(1,163)	(1,644)
Release of other reserve upon Step Acquisition of WYTH		–	–	–	–	–	–	11,870	–	–	11,870	–	11,870
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(3,856)	–	–	(3,856)	–	(3,856)
Share of other comprehensive income of associates		–	–	–	–	–	–	8,654	–	–	8,654	1,914	10,568
Total comprehensive income for the period		–	–	–	18,532	–	(481)	16,668	–	423,690	458,409	(50,363)	408,046
Deemed partial disposal of interest in subsidiaries	40	–	–	–	–	–	–	–	(259,048)	–	(259,048)	591,136	332,088
Step Acquisition of WYTH	37(a)	–	–	–	–	(27,918)	–	–	–	–	(27,918)	1,273,808	1,245,890
Final 2016 dividend declared	11	–	–	–	–	–	–	–	–	(96,444)	(96,444)	–	(96,444)
Interim 2017 dividend	11	–	–	–	–	–	–	–	–	(19,289)	(19,289)	–	(19,289)
At 31 March 2017		192,885	1,435,381*	306,353*	(1,005)*	(27,918)*	1,829*	7,612*	(259,048)*	2,956,891*	4,612,980	1,813,278	6,426,258

* These reserve accounts comprise the consolidated reserves of HK$4,420,095,000 (2016: HK$4,364,385,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		359,670	444,817
Adjustments for:			
Finance costs	7	30,357	23,993
Share of profits and losses of a joint venture and associates		19,686	(32,209)
Loss on remeasurement of pre-existing interest in WYTH	6	550,445	–
Gain on bargain purchase from Step Acquisition of WYTH	5	(1,056,230)	–
Bank interest income	5	(6,521)	(6,493)
Imputed interest income from bonds investment		(5,053)	(3,878)
Dividend income from listed securities	5	(2,676)	(1,271)
Loss on disposal of investment properties, net	6	1,155	4,576
Loss on disposal of items of property, plant and equipment	6	363	–
Gain on disposal of subsidiaries, net	39	(25,306)	(304,306)
Fair value gains on investment properties, net	14	(50,118)	(5,098)
Fair value losses on financial assets at fair value through profit or loss, net		123,752	29,656
Depreciation	6	35,750	7,229
Provision/(amount utilised of) for onerous contracts, net	6	4,080	(1,651)
Reversal of write-down of properties under development	15	(44,411)	(49,564)
Impairment of trade receivables, net	6	5,247	–
Impairment of loans and interest receivables	6	4,643	–
Impairment of investment in an associate	6	–	19,800
Impairment of items of property, plant and equipment	6	604	–
Allowance on obsolete inventories	6	3,260	–
Accrued rent-free rental income	14	928	(332)
		(50,375)	125,269
Decrease in properties held for sale		91,981	321,325
Increase in properties under development		(511,695)	(159,648)
Decrease in inventories		34,191	173
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		(1,772,012)	137,975
Increase in loans and interest receivables		(328,498)	(201,469)
Increase/(decrease) in trade payables		8,714	(35,286)
Decrease in other payables and accruals		(7,757)	(6,097)
Increase/(decrease) in deposits received and receipts in advance		2,715,250	(125,674)
Cash generated from operations		179,799	56,568
Profits tax paid		(44,363)	(80,117)
Net cash flows from/(used in) operating activities		135,436	(23,549)

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received	5	6,521	6,493
Dividend income from listed securities	5	2,676	1,271
Dividend income from a joint venture	17	3,160	3,209
Investment in an associate	18	–	(57,464)
Additions to investment properties	14	(96,006)	(1,518)
Acquisition of subsidiaries that are not business	38	(509,400)	–
Business combinations	37	420,287	(7,940)
Purchases of items of property, plant and equipment	13	(215,652)	(33,122)
Purchases of financial assets at fair value through profit or loss		(23,919)	(176,444)
Purchases of available-for-sale investments		(122,276)	–
Proceeds from disposal of investment properties		35,586	59,154
Proceeds from disposal of available-for-sale investments		205,881	–
Proceeds from disposal of financial assets at fair value through profit or loss		32,477	13,082
Disposal of subsidiaries	39	(769)	1,048,358
Net cash flows from/(used in) investing activities		(261,434)	855,079
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from WOP Spin-Off	40	328,890	–
Interest paid		(103,045)	(55,992)
Dividends paid		(115,733)	(84,826)
Repayment of bank and other loans		(1,641,037)	(1,000,330)
Shares repurchased		–	(29,940)
Proceeds from issue of shares upon exercise of share options		–	56
New bank and other loans		2,743,097	580,521
Net cash flows from/(used in) financing activities		1,212,172	(590,511)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,086,174	241,019
Cash and cash equivalents at beginning of year		1,288,084	1,046,987
Effect of foreign exchange rate changes, net		(4,474)	78
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,369,784	1,288,084
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	1,869,370	795,141
Non-pledged time deposits with original maturity of less than three months when acquired	26	500,414	492,943
Less: included in the assets classified as held for sale	27	(476)	(769)
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		2,369,308	1,287,315

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. CORPORATE AND GROUP INFORMATION

Wang On Group Limited (the "Company") is a limited liability company incorporated in Bermuda, and its head office and principal place of business are both located at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property development
- property investment
- management and sub-licensing of Chinese wet markets
- production and sale of pharmaceutical and health food products (commenced during the year upon the completion of the Step Acquisition of WYTH (as defined in note 3 to the financial statements)
- treasury management

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wang On Enterprises (BVI) Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Able Trend Limited	British Virgin Islands	Ordinary US$1	–	51.32	Treasury management
Allied Wide Investment Limited^ ("Allied Wide")	Hong Kong	Ordinary HK$1	–	100	Property investment
Antic Investment Limited	Hong Kong	Ordinary HK$1	–	75	Property investment
Asia Brighter Investment Limited	Hong Kong	Ordinary HK$1	–	51.32	Property investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Billion Good Investment Limited	Hong Kong	Ordinary HK$2	–	51.21	Property holding
City Target Limited	Hong Kong	Ordinary HK$1	–	75	Property development
Cloud Hero Limited	Hong Kong	Ordinary HK$1	–	51.32	Provision of financial service
Double Bright Limited*/@ ("Double Bright")	Hong Kong	Ordinary HK$1	–	75	Property development
Double Leads Investments Limited	British Virgin Islands	Ordinary US$1	–	100	Treasury management
Easytex Investment Limited^ ("Easytex")	Hong Kong	Ordinary HK$1	–	100	Property investment
East Run Investments Limited	British Virgin Islands	Ordinary US$1	–	75	Investment holding
Ever Task Limited	British Virgin Islands	Ordinary US$1	–	100	Investment holding
Ever World Limited*	Hong Kong	Ordinary HK$1	–	75	Property development
Fulling Limited	Hong Kong	Ordinary HK$100	–	100	Treasury management
Good Excellent Limited ("Good Excellent")	Hong Kong	Ordinary HK$1	–	51.32	Property investment

31 March 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Grandwall Investment Limited	Hong Kong	Ordinary HK$100	–	45**	Property development
Kingtex Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Lanbo Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary HK$933,313	–	51.21	Production and sale of Western pharmaceutical and health food products
Mailful Investments Limited	British Virgin Islands	Ordinary US$1	–	100	Investment holding
Majorluck Limited	Hong Kong	Ordinary HK$10,000	–	100	Management and sub-licensing of Chinese wet markets
Million Link Investments Limited	Hong Kong	Ordinary US$1	–	75	Property investment
New Rich Investments Limited	Hong Kong	Ordinary HK$100	–	45**	Property development
Newbo Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
New Sino Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
New Supreme Investment Limited	Hong Kong	Ordinary HK$1	–	51.32	Construction project of a factory in Yuen Long Industrial Estate
Oriental Sino Investments Limited	Hong Kong	Ordinary HK$2	–	75	Property investment
Regal Smart Investment Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding
Richly Gold Limited	Hong Kong	Ordinary HK$2	–	100	Property investment
Richest Ever Limited	Hong Kong	Ordinary HK$2	–	51.21	Trading of Chinese pharmaceutical and health food products
Samrich Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Stadium Holdings Limited ("Stadium")	Hong Kong	Oridinary HK$2	–	75	Property Investment
Sunbo Investment Limited ("Sunbo")	Hong Kong	Ordinary HK$1	–	51.32	Property investment
Vincent Investments Limited*	Hong Kong	Ordinary HK$2	–	75	Property development

31 March 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wai Yuen Tong Company Limited	Hong Kong	Ordinary HK$1	–	51.32	Property holding
Wai Yuen Tong (Macao) Limited	Macau	Ordinary Macau Pataca 25,000	–	51.21	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong (Retail) Limited	Hong Kong	Ordinary HK$2	–	51.21	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited	Hong Kong	Ordinary HK$ $13,417,374 Non-voting deferred shares*** HK$17,373,750	–	51.21	Production and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Holdings Limited ("WYTH") #	Bermuda/ Hong Kong	Ordinary HK$12,651,428	–	51.32	Investment holding
Wang On Management Limited	Hong Kong	Ordinary HK$2	–	100	Provision of management services
Wang On Majorluck Limited	Hong Kong	Ordinary HK$1,000	–	100	Management and sub-licensing of Chinese wet markets

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wang On Properties Limited ("WOP")#	Bermuda/ Hong Kong	Ordinary HK$15,200,000	–	75	Investment holding
Wang On Services Limited	Hong Kong	Ordinary HK$1	–	75	Provision of management services
Winhero Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
深圳市延養堂醫藥有限公司****	People's Republic of Chinese ("PRC")/ Mainland China	Registered capital Renminbi ("RMB") 41,279,826	–	51.21	Retail and sale of China pharmaceutical and health food products

* Certain bank loans of the Group are secured by share charges in respect of the equity interests of these subsidiaries (note 30).

** These companies are subsidiaries of a non-wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

*** The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of WYT Medicine Company, the non-voting deferred shares have a right to repayment in proportion to the amounts paid up on all ordinary and deferred shares after the first HK$1,000,000,000,000 thereof has been distributed among the holders of the ordinary shares.

**** A wholly-owned foreign enterprise under PRC law.

^ Disposed of by the Group subsequent to 31 March 2017 (note 27).

@ Disposed of by the Group subsequent to 31 March 2017 (note 47(c)).

Listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Details of the subsidiaries acquired and disposed of during the year are summarised in notes 37, 38 and 39 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have 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 (the "HKICPA"), 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, available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has assessed and adopted, to the extent that is applicable to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[5]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 2018, with early application permitted

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Amendments to HKAS 40 were issued with the purpose of clarifying when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or cease to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group expects to adopt the amendments from 1 April 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle issued in March 2017 sets out amendments to a number of HKFRSs. Details of the applicable amendments are as follows:

- HKFRS 12 *Disclosure of Interests in Other Entities*: Clarifies the scope of the standard by specifying that certain disclosure requirements are not required for subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

- HKAS 28 *Investments in Associates and Joint Ventures*: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or a joint venture on an investment-by-investment basis, upon initial recognition.

The HK(IFRIC)-Int 22 was issued in June 2017 with the purpose of clarifying that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group expects to adopt the amendments from 1 April 2018.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and a joint venture (continued)

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investment in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or a joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in note 3.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date. Accordingly, no goodwill or deferred taxation arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, available-for-sale investments and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, properties held for sale, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 3% or over the lease terms
Leasehold improvements	15% to 33% or over the lease terms
Plant and machinery	10% to 50%
Furniture, fixtures and office equipment	15% to 50%
Motor vehicles	20%
Computer equipment	15% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

When an operating lease contract is entered into with another party on a property originally held for sale and upon the commencement of the lease, the property is transferred to an investment property. The difference between the fair value of the property at the date of transfer and its then carrying amount is recognised in profit or loss.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Sales deposits/instalments received and receivable from purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment of loans and receivables is recognised in profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other expenses. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised as revenue in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists of one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as revenue. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and interest-bearing bank and other loans.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for onerous contracts represents provision for lease contracts for certain Hong Kong properties and projects where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. Provisions for onerous contracts are recognised based on the difference between the rental payments receivable by the Group and those unavoidable rental payments payable by the Group under the contracts, together with any compensation or penalties arising from the failure to fulfill the contracts, discounted to their present value as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental and sub-licensing fee income, on a time proportion basis over the lease terms;

(b) from the provision of services, when the services are rendered;

(c) from the sale of properties (including properties under development and completed properties held for sale), by the time the properties are delivered to the purchasers and the sale agreements become unconditional;

(d) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) from the sale of listed securities, on the trade dates;

(f) dividend income, where the shareholders' right to receive payment has been established;

(g) franchise fee income, on a straight-line basis over the franchise period; and

(h) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or services conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "PRC Pension Scheme") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

31 March 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Business combinations

On 29 September 2016, WYTH completed a rights issue on the basis of three rights shares for every one WYTH share at HK$0.43 per rights share (the "WYT Rights Issue"). As a result of the Group's excess application in the WYT Rights Issue, a total of 579,492,205 WYTH rights shares were subscribed by the Group and the Group's interest in WYTH increased from approximately 22.08% to approximately 51.32% and WYTH became a subsidiary of the Group (the "Step Acquisition of WYTH").

The assessment of the fair value of the identifiable assets acquired and liabilities assumed and allocation of the purchase price required significant management judgements and estimation.

The Group recognised, inter alia, trademarks of HK$68,991,000, fair value adjustment on property, plant and equipment and inventories of HK$122,426,000 and HK$59,717,000, respectively, and gain on bargain purchase of HK$1,056,230,000, details of which is set out in note 37(a) to the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group's joint venture has investment properties located in Mainland China which are measured at fair value. Investment property is a property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as historical transactions, future development plans and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use is calculated to assess for impairment, the management applies assumptions to prepare cash flow forecast, i.e. discount rate, growth rate for the asset or cash-generating unit to calculate the present value of those cash flows.

As at 31 March 2017, the Group had trademarks and property, plant and equipment of approximately HK$68,991,000 and HK$1,172,632,000, respectively, relating to the cash-generated unit ("CGU") of the pharmaceutical business. Since the Group's pharmaceutical business recorded a loss during the current financial year, management of the Company performed impairment assessment of the CGU by using value in use calculations based on the discounted cash flows. Significant judgement and estimation are involved in the assessment of their recoverable amounts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of deferred tax assets are included in note 32 to the financial statements.

Valuation of properties under development

Properties under development are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which the estimate is changed will be adjusted accordingly.

Fair value of investment properties

Investment properties including residential, industrial and commercial units in Hong Kong and are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor's actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Recoverability of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and the aged analysis of the outstanding receivables and on management's estimation.

A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of loans and interest receivables and debt securities

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details of loans and interest receivables and debt securities are included in note 23 and note 19 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

4. 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 and the trading of car parking spaces, industrial and commercial premises and residential units for rental or for sale;

(c) the Chinese wet markets segment engages in the management and sub-licensing of Chinese wet markets;

(d) the pharmaceutical segment engages in production and sale of pharmaceutical and health food products (commenced during the year upon the completion of the Step Acquisition of WYTH; 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 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 before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/losses from the Group's financial assets at fair value through profit or loss, head office and corporate income and expenses and share of profits and losses of a joint venture and associates are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March

	Property development		Property investment		Chinese wet markets		Pharmaceutical		Treasury management		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:														
Sales to external customers	46,039	567,509	119,136	91,960	191,545	181,406	375,763	–	136,874	76,072	–	–	869,357	916,947
Intersegment sales	–	–	9,071	–	–	–	5,877	–	–	–	(14,948)	–	–	–
Other revenue	15,924	3,052	46,498	312,575	14,788	14,143	113	–	2,002	1,202	–	–	79,325	330,972
Total	61,963	570,561	174,705	404,535	206,333	195,549	381,753	–	138,876	77,274	(14,948)	–	948,682	1,247,919
Segment results	(2,593)	117,991	65,617	330,660	21,991	26,600	(97,359)	–	117,858	65,631	–	–	105,514	540,882
Reconciliation:														
Bank interest income													6,521	6,493
Finance costs													(30,357)	(23,993)
Fair value losses of financial assets at fair value through profit or loss, net													(123,752)	(29,656)
Gain on bargain purchase													1,056,230	–
Loss on remeasurement of pre-existing interest in WYTH to acquisition date fair value													(550,445)	–
Corporate and unallocated income/(expenses), net													(84,355)	(81,118)
Share of profits and losses of:														
A joint venture													10,101	514
Associates													(29,787)	31,695
Profit before tax													359,670	444,817
Income tax credit													17,599	3,641
Profit for the year													377,269	448,458

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March

	Property development		Property investment		Chinese wet markets		Pharmaceutical		Treasury Management		Corporate and others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:														
Depreciation	92	12	3,456	1,960	5,948	3,085	21,750	–	–	–	4,504	2,172	35,750	7,229
Reversal of write-down of properties under development	(44,411)	(49,564)	–	–	–	–	–	–	–	–	–	–	(44,411)	(49,564)
Impairment of trade receivables, net	–	–	–	–	217	–	5,030	–	–	–	–	–	5,247	–
Impairment of loans and interest receivables	–	–	–	–	–	–	–	–	4,643	–	–	–	4,643	–
Provision for onerous contracts	–	–	–	–	4,080	–	–	–	–	–	–	–	4,080	–
Capital expenditure*	1,336	82	608,231	1,518	29,984	32,249	175,412	–	–	–	8,920	791	823,883	34,640
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	–	–	–	–	123,752	29,656	123,752	29,656
Fair value losses/(gains) on investment properties, net	(6,726)	2,967	(43,392)	(8,065)	–	–	–	–	–	–	–	–	(50,118)	(5,098)
Investment in a joint venture	–	–	–	–	91,338	88,253	–	–	–	–	–	–	91,338	88,253
Investment in associates	–	–	–	–	–	–	–	–	–	–	95,118	571,469	95,118	571,469
Share of profits and losses of:														
A joint venture	–	–	–	–	(10,101)	(514)	–	–	–	–	–	–	(10,101)	(514)
Associates	–	–	–	–	–	–	–	–	–	–	29,787	(31,695)	29,787	(31,695)

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Sales to external customers

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**795,801**	916,947
Mainland China	**52,097**	–
Macau	**10,056**	–
Others	**11,403**	–
	869,357	916,947

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**3,229,151**	1,593,223
Mainland China	**199,283**	88,253
Macau	**978**	–
	3,429,412	1,681,476

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately HK$92,937,000 (2016: Nil) was derived from interest income by the treasury management segment to a single external customer.

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5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents sub-licensing and management fee income received and receivable; the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; proceeds from the sale of properties; and interest income received and receivable during the year.

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

	Notes	2017 HK$'000	2016 HK$'000
Revenue			
Sub-licensing fee income		189,911	179,806
Property management fee income		1,423	1,472
Gross rental income		38,916	45,670
Sale of properties		126,470	613,927
Sale of goods		375,763	–
Interest income from bonds investment and loans receivable		136,874	76,072
		869,357	916,947
Other income			
Bank interest income		6,521	6,493
Dividend income from listed securities		2,676	1,271
Management fee income		960	3,510
Forfeiture of deposits		8,580	2,693
Others		18,037	20,365
		36,774	34,332
Gains, net			
Gains on disposal of subsidiaries, net	39	25,306	304,306
Gain on bargain purchase	37(a)	1,056,230	–
Exchange gains, net		1,128	–
		1,082,664	304,306
Other income and gains, net		1,119,438	338,638

6. PROFIT BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of services provided		172,994	151,066
Cost of properties sold		90,371	409,423
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$3,260,000 (2016: Nil))		271,827	–
Depreciation	13	35,750	7,229
Minimum lease payments under operating leases		190,480	123,928
Auditor's remuneration		5,750	3,200
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		188,864	114,283
Pension scheme contributions		5,263	2,089
Less: Amount capitalised		(11,457)	(12,991)
		182,670	103,381
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		3,932	8,557
Loss on disposal of investment properties*		1,155	4,576
Loss on disposal of items of property, plant and equipment*		363	–
Impairment of investment in an associate*	18	–	19,800
Gain on bargain purchase included in share of profits of an associate	18	–	(26,272)
Impairment of trade receivables, net*	22	5,247	–
Impairment of loans and interest receivables*	23	4,643	–
Impairment of items of property, plant and equipment*	13	604	–
Foreign exchange differences, net		(1,128)	9,730*
Provision for onerous contracts*	31	4,080	–
Loss on re-measurement of pre-existing interest in WYTH to acquisition date fair value*	37(a)	550,445	–
Transaction costs incurred for the Step Acquisition of WYTH*	37(a)	2,220	–

* These expenses are included in "Other expenses" 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:

	2017 HK$'000	2016 HK$'000
Interest on bank loans and other loans	82,324	70,138
Less: Interest capitalised	(51,967)	(46,145)
	30,357	23,993

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	771	771
Other emoluments:		
Salaries, allowances and benefits in kind	25,837	18,856
Performance-related bonuses*	22,806	22,815
Pension scheme contributions	128	110
	48,771	41,781
	49,542	42,552

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, individual performance of the directors and comparable market practices during the year.

8. DIRECTORS' REMUNERATION (continued)

Executive directors and independent non-executive directors:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017					
Executive directors:					
Mr. Tang Ching Ho, *JP*	–	18,864	14,787	27	33,678
Ms. Yau Yuk Yin	–	4,866	590	18	5,474
Mr. Chan Chun Hong, Thomas	–	2,107	7,429	83	9,619
	–	25,837	22,806	128	48,771
Independent non-executive directors:					
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*	297	–	–	–	297
Mr. Wong Chun, Justein, *BBS, MBE, JP*	217	–	–	–	217
Mr. Siu Yim Kwan, Sidney, *S.B. St.J.*	117	–	–	–	117
Mr. Siu Kam Chau	140	–	–	–	140
	771	–	–	–	771
	771	25,837	22,806	128	49,542
2016					
Executive directors:					
Mr. Tang Ching Ho, *JP*	–	12,546	15,077	18	27,641
Ms. Yau Yuk Yin	–	4,799	577	18	5,394
Mr. Chan Chun Hong, Thomas	–	1,511	7,161	74	8,746
	–	18,856	22,815	110	41,781
Independent non-executive directors:					
Dr. Lee Peng Fei, Allen, *CBE, BS,* FHKIE, JP	297	–	–	–	297
Mr. Wong Chun, Justein, *BBS, MBE, JP*	217	–	–	–	217
Mr. Siu Yim Kwan, Sidney, *S.B. St.J.*	117	–	–	–	117
Mr. Siu Kam Chau	140	–	–	–	140
	771	–	–	–	771
	771	18,856	22,815	110	42,552

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2016: two) non-directors, highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	5,134	3,629
Performance-related bonuses	9,938	6,565
Pension scheme contributions	36	35
	15,108	10,229

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$2,500,001 to HK$3,000,000	1	1
HK$5,500,000 to HK$6,000,000	–	1
HK$12,000,000 to HK$ 12,500,000	1	–

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 HK$'000	2016 HK$'000
Current – Hong Kong		
Charge for the year	8,993	16,867
Overprovision in prior years	(263)	(29,324)
	8,730	(12,457)
Deferred *(note 32)*	(26,329)	8,816
Total tax credit for the year	(17,599)	(3,641)

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Profit before tax	359,670	444,817
Tax at the statutory tax rates of different jurisdictions	57,509	73,512
Adjustments in respect of current tax of previous periods	(263)	(29,347)
Adjustments in respect of deferred tax of previous periods	(1,367)	(2,421)
Profits and losses attributable to a joint venture and associates	2,209	(5,315)
Income not subject to tax	(205,629)	(69,915)
Expenses not deductible for tax	117,248	35,913
Tax losses utilised from previous periods	(7,328)	(9,773)
Tax losses not recognised	19,448	4,531
Others	574	(826)
Tax credit at the Group's effective rate	(17,599)	(3,641)

The share of tax charge attributable to associates and a joint venture amounted HK$1,100,000 (2016: tax credit of HK$848,000) and HK$2,311,000 (2016: tax credit of HK$455,000), respectively, is included in "Share of profits and losses of associates" and "Share of profits and losses of a joint venture", respectively, in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

	2017 *HK$'000*	2016 *HK$'000*
Interim – HK0.1 cent (2016: HK0.1 cent) per ordinary share	19,289	19,576
Proposed final – HK0.5 cent (2016: HK0.5 cent) per ordinary share *(note)*	96,444	96,444
	115,733	116,020

Note: The final dividend proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares less treasury shares held by the Group of 19,075,281,691 (2016: 19,524,327,549) in issue during the year.

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

The calculation of the diluted earnings per share amount for the year ended 31 March 2016 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the effect of the deemed exercise of all outstanding share options into ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options into ordinary shares.

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**423,690**	449,077

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue less treasury shares held by the Group during the year, used in the basic earnings per share calculation	**19,075,281,691**	19,524,327,549
Effect of dilution – weighted average number of ordinary shares: Share options	**–**	23,799
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**19,075,281,691**	19,524,351,348

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Con-struction in progress HK$'000	Total HK$'000
31 March 2017								
At 31 March 2016 and at 1 April 2016:								
Cost	64,643	52,798	2,519	6,143	3,588	13,055	–	142,746
Accumulated depreciation	(4,561)	(25,663)	(1,321)	(5,407)	(3,019)	(10,221)	–	(50,192)
Net carrying amount	60,082	27,135	1,198	736	569	2,834	–	92,554
At 1 April 2016, net of accumulated depreciation	60,082	27,135	1,198	736	569	2,834	–	92,554
Additions	95,141	42,313	110	2,697	2,433	5,016	67,942	215,652
Business combination *(note 37(a))*	288,000	15,152	4,255	5,602	758	4,540	466,907	785,214
Transferred from investment properties *(note 14)*	229,000	–	–	–	–	–	–	229,000
Depreciation provided during the year	(9,882)	(16,182)	(2,652)	(3,025)	(666)	(3,343)	–	(35,750)
Impairment	–	(604)	–	–	–	–	–	(604)
Disposals	–	(147)	(26)	(5)	(181)	(4)	–	(363)
Transfers	440,934	9,362	39,171	3,525	–	1,318	(494,310)	–
Exchange realignment	–	(4)	–	(1)	(21)	(16)	–	(42)
At 31 March 2017, net of accumulated depreciation	1,103,275	77,025	42,056	9,529	2,892	10,345	40,539	1,285,661
At 31 March 2017:								
Cost	1,117,718	102,169	46,029	17,875	5,281	23,507	40,539	1,353,118
Accumulated depreciation	(14,443)	(25,144)	(3,973)	(8,346)	(2,389)	(13,162)	–	(67,457)
Net carrying amount	1,103,275	77,025	42,056	9,529	2,892	10,345	40,539	1,285,661

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Con-struction in progress *HK$'000*	Total *HK$'000*
31 March 2016								
At 1 April 2015:								
Cost	64,643	28,175	1,234	6,004	3,506	10,785	–	114,347
Accumulated depreciation	(2,622)	(27,416)	(1,029)	(5,136)	(2,524)	(8,647)	–	(47,374)
Net carrying amount	62,021	759	205	868	982	2,138	–	66,973
At 1 April 2015, net of accumulated depreciation	62,021	759	205	868	982	2,138	–	66,973
Additions	–	28,948	1,298	160	82	2,634	–	33,122
Business combination *(note 37(b))*	–	464	68	408	–	120	–	1,060
Assets in a disposal group classified as held for sale *(note 27)*	–	(438)	(66)	(401)	–	(467)	–	(1,372)
Depreciation provided during the year	(1,939)	(2,598)	(307)	(299)	(495)	(1,591)	–	(7,229)
At 31 March 2016, net of accumulated depreciation	60,082	27,135	1,198	736	569	2,834	–	92,554
At 31 March 2016:								
Cost	64,643	52,798	2,519	6,143	3,588	13,055	–	142,746
Accumulated depreciation	(4,561)	(25,663)	(1,321)	(5,407)	(3,019)	(10,221)	–	(50,192)
Net carrying amount	60,082	27,135	1,198	736	569	2,834	–	92,554

At 31 March 2017, the Group's land and buildings with a net carrying amount of HK$533,313,000 (2016: HK$60,082,000) were pledged to secure general banking facilities granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year		795,290	1,569,570
Additions		96,006	1,518
Acquisition of subsidiaries that are not business	38	512,225	–
Business combination	37(a)	481,800	–
Disposals		(36,741)	(63,730)
Disposals of subsidiaries	39	–	(717,498)
Transfer to properties, plant and equipment	13	(229,000)	–
Accrued rent-free rental income		(928)	332
Net gain from fair value adjustments		50,118	5,098
Carrying amount at end of year		1,668,770	795,290
Included in assets classified as held for sale	27	(195,470)	(216,090)
Investment properties as stated in the consolidated statement of financial position as at 31 March		1,473,300	579,200

The Group's investment properties consist of commercial, industrial and residential properties in Hong Kong.

The investment properties were revalued by Vigers Appraisal and Consulting Limited and Asset Appraisal Limited, independent professionally qualified valuers, at 31 March 2017. The finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and the valuers twice a year when the valuation is performed for interim and annual financial reporting. At the end of each reporting period, the finance department holds discussion with the independent valuers to verify major inputs to the independent valuation reports. The finance department also assesses property valuation movements when compared to the prior year valuation reports.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

At 31 March 2017, the Group's investment properties with an aggregate carrying value of HK$1,574,740,000 (2016: HK$654,000,000) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are included on pages 194 to 195.

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14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2017	2016
Recurring fair value measurement for:	*HK$'000*	*HK$'000*
Commercial properties	1,454,100	562,900
Industrial property	19,200	16,300
Residential properties	195,470	216,090
	1,668,770	795,290
Included in assets classified as held for sale *(note 27)*	(195,470)	(216,090)
Investment properties as stated in the consolidated statement of financial position as at 31 March	1,473,300	579,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	Industrial property HK$'000	Residential properties HK$'000	Total HK$'000
Carrying amount at 1 April 2015	1,247,100	16,800	305,670	1,569,570
Additions	1,272	–	246	1,518
Disposals	–	–	(63,730)	(63,730)
Disposal of subsidiaries	(706,998)	–	(10,500)	(717,498)
Accrued rent-free rental income	332	–	–	332
Net gain/(loss) from fair value adjustments	21,194	(500)	(15,596)	5,098
	562,900	16,300	216,090	795,290
Included in assets held for sale	–	–	(216,090)	(216,090)
Carrying amount at 31 March 2016	562,900	16,300	–	579,200
Carrying amount at 1 April 2016	**562,900**	**16,300**	**216,090**	**795,290**
Additions	**96,006**	**–**	**–**	**96,006**
Acquisition of subsidiaries that are not business	**512,225**	**–**	**–**	**512,225**
Business combination	**481,800**	**–**	**–**	**481,800**
Disposals	**–**	**–**	**(36,741)**	**(36,741)**
Transfer to properties, plant and equipment	**(229,000)**	**–**	**–**	**(229,000)**
Accrued rent-free rental income	**(971)**	**43**	**–**	**(928)**
Net gain from fair value adjustments	**31,140**	**2,857**	**16,121**	**50,118**
	1,454,100	**19,200**	**195,470**	**1,668,770**
Included in assets held for sale	**–**	**–**	**(195,470)**	**(195,470)**
Carrying amount at 31 March 2017	**1,454,100**	**19,200**	**–**	**1,473,300**

14. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2017	Range or weighted average 2016
Commercial properties	Investment method and direct comparison method	Estimated rental value per square feet and per month	**HK$40 to HK$320**	HK$415
		Capitalisation rate	**2.3% to 2.9%**	2.5%
		Price per square feet	**HK$30,472 to HK$77,006**	HK$28,090 to HK$73,775
Industrial property	Direct comparison method	Price per square feet	**HK$6,495**	HK$5,514
Residential properties	Investment method and direct comparison method	Estimated rental value per square feet and per month	**HK$17 to HK$55**	HK$15 to HK$51
		Capitalisation rate	**3% to 6.5%**	3% to 7%
		Price per square feet	**HK$5,059 to HK$15,559**	HK$4,637 to HK$11,619

As at 31 March 2017, the valuations of investment properties were based on either the investment method which capitalises the rent receivables from the existing tenancies and the potential reversionary market rent of the properties or direct comparison method by reference to comparable market transactions.

A significant increase/(decrease) in estimated rental value per square feet in isolation would result in a significantly higher/(lower) fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties. A significant increase/(decrease) in price per square feet in isolation would result in significantly higher/(lower) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square feet and price per square feet are accompanied by a directionally opposite change in the capitalisation rate.

15. PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year	**2,910,519**	2,655,162
Additions (including development costs and capitalised interest)	**563,662**	205,793
Reversal of write-down of properties under development *(note)*	**44,411**	49,564
Carrying amount at end of year	**3,518,592**	2,910,519

Note: The reversal of write-down of properties under development is related to a parcel of land held by the Group, The development of which has not been commenced as at 31 March 2017 and 2016, and is caused by the increase in prices of properties nearby and auction prices for land in Hong Kong. The reversal is limited to the amount of the original write-down and the recoverable amounts are determined with reference to the valuations performed by Asset Appraisal Limited on an open market basis as at 31 March 2017 and 2016.

Properties under development expected to be completed:

	2017 HK$'000	2016 HK$'000
Beyond the normal operating cycle included under non-current assets	**415,004**	350,000
Within the normal operating cycle included under current assets	**3,103,588**	2,560,519
	3,518,592	2,910,519

Properties under development expected to be completed within the normal operating cycle and recovered:

	2017 HK$'000	2016 HK$'000
Within one year	**487,397**	–
After one year	**2,616,191**	2,560,519
	3,103,588	2,560,519

At 31 March 2017, the Group's properties under development with an aggregate carrying value of HK$1,756,702,000 (2016: HK$2,910,519,000) were pledged to secure the Group's general banking facilities (note 30).

16. TRADEMARKS

	Trademarks HK$'000
At 1 April 2015, 31 March 2016 and 1 April 2016	–
Business combination (note 37(a))	68,991
At 31 March 2017	**68,991**

Trademarks were purchased as part of the Step Acquisition of WYTH and were recognised at their fair value at the date of acquisition. The directors of the Company are of the opinion that the upkeep of these trademarks are at minimal cost and the Group would renew these trademarks continuously. These trademarks are considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment testing of trademarks

Trademarks acquired through a business combination have been allocated to the following CGUs for impairment testing:

- Production and sale of Chinese pharmaceutical products CGU ("Chinese Pharmaceutical CGU"); and
- Production and sale of Western pharmaceutical products CGU ("Western Pharmaceutical CGU").

The recoverable amounts of both CGUs were determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections for the Chinese Pharmaceutical CGU and Western Pharmaceutical CGU were both 10.6%. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3%.

The carrying amount of trademarks allocated to each of the CGUs is as follows:

	2017 HK$'000	2016 HK$'000
Chinese Pharmaceutical CGU	**61,066**	–
Western Pharmaceutical CGU	**7,925**	–
	68,991	–

16. TRADEMARKS (continued)

Impairment testing of trademarks (continued)

Assumptions were used in the value in use calculations of the Chinese Pharmaceutical CGU and Western Pharmaceutical CGU for the year ended 31 March 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademarks:

Forecasted growth rates – The forecasted growth rates are based on industry forecasts.

Expected changes in selling prices and direct costs – The expected amounts are based on historical operating records and expectation of future changes in the market.

Discount rates – The discount rates are based on estimates of the required rate of returns that reflect the current market assessment of the time value of money, general market risks and the risks specific to the CGUs.

During the year ended 31 March 2017, management of the Group determines that there was no impairment of trademarks on the CGUs.

17. INVESTMENT IN A JOINT VENTURE

	2017 ***HK$'000***	2016 *HK$'000*
Share of net assets	**89,962**	86,877
Goodwill on acquisition	**1,376**	1,376
	91,338	88,253

Particulars of the Group's joint venture are as follows:

Name	Paid-up and registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenzhen Jimao Market Co., Limited* ("Shenzhen Jimao") 深圳市集貿市場有限公司	RMB31,225,000	PRC/Mainland China	50	50	50	Management and sub-licensing of Chinese wet markets

* Direct translation from the Chinese name which is for identification purposes only

The above joint venture is unlisted and is indirectly held by the Company.

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17. INVESTMENT IN A JOINT VENTURE (continued)

Shenzhen Jimao, which is considered as a material joint venture of the Group, is engaged in the management and sub-licensing of Chinese wet markets in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Shenzhen Jimao and reconciled to the carrying amount in the financial statements:

	2017 HK$'000	2016 HK$'000
Prepayments, deposits and other receivables	2,254	2,395
Cash and cash equivalents	52,262	48,349
Tax recoverable	1,056	–
Current assets	55,572	50,744
Property, plant and equipment	1,057	1,090
Investment properties	134,773	137,171
Deferred tax assets	–	332
Non-current assets	135,830	138,593
Other payables and accruals	3,714	5,946
Deposits received and receipts in advance	6,671	8,033
Tax payable	–	1,604
Current liabilities	10,385	15,583
Deferred tax liabilities and non-current liabilities	1,093	–
Net assets	179,924	173,754
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	89,962	86,877
Goodwill on acquisition	1,376	1,376
Carrying amount of the investment	91,338	88,253
Revenue	34,844	35,405
Interest income	630	998
Depreciation and amortisation	(105)	(95)
Tax credit/(expense)	(4,621)	909
Profit for the year	20,202	1,028
Other comprehensive loss	(7,712)	(8,268)
Total comprehensive income/(loss) for the year	12,490	(7,240)
Dividend received	3,160	3,209

18. INVESTMENT IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	366,987	591,269
Provision for impairment *(note (iv))*	–	(19,800)
Goodwill on acquisition	19,323	–
Fair value adjustment upon completion of the Step Acquisition of WYTH	(291,192)	–
	95,118	571,469

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2017	Percentage of ownership interest attributable to the Group 2016	Principal activities
WYTH*	Ordinary shares of HK$0.01 each	Bermuda/ Hong Kong	– *(note (i))*	22.08 *(note (ii))*	Production and sale of traditional Chinese and Western pharmaceutical products, health food products and property investment
Easy One Financial Group Limited*/# ("Easy One")	Ordinary shares HK$0.01 each	Cayman Islands/ Hong Kong	*28.51* *(note (iii))*	–	Property development in PRC, provision of finance and securities brokerage services

* Listed on the Main Board of the Hong Kong Stock Exchange

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

18. INVESTMENT IN ASSOCIATES (continued)

Notes:

(i) On 29 September 2016, WYTH completed the WYT Rights Issue. As a result, the Group's interest in WYTH increased from approximately 22.08% to approximately 51.32% and WYTH became a subsidiary of the Company. Further details of this transaction are set out in note 37(a) to the financial statements.

(ii) On 11 May 2015, WYTH completed a rights issue of 2,108,571,484 shares to the shareholders of WYTH at the subscription price of HK$0.108 per share, on the basis of one WYTH share for every two WYTH shares held on 23 April 2015 (the "WYT 2015 Rights Issue"). Upon the completion of the WYT 2015 Rights Issue, an aggregate 532,070,017 shares were allotted to and subscribed by the Group. As a result, the Group's equity interests in WYTH increased from 20.50% to 22.08% and a gain on bargain purchase of HK$26,272,000 was recognised and included in the share of profits and losses of an associate during the year ended 31 March 2016.

(iii) Easy One is an associate of the WYTH Group became the Group's associate upon the completion of the Step Acquisition of WYTH on 29 September 2016.

(iv) The impairment was made with reference to the estimated recoverable amount of WYTH, which was determined based on the value in use calculation using cash flow projection approved by management of WYTH. Management was of the view that such impairment was mainly caused by the decrease in budgeted profits and budgeted sales as a result of the ongoing downtrend and decline in tourists' spending in Hong Kong. The pre-tax discount rate applied to the cash flow projection was 11%.

The financial year of the Group's associates is coterminous with that of the Group.

The associates are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of WYTH for the period up to 29 September 2016, when the Step Acquisition of WYTH was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of WYTH at the completion dates of acquisition by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	2017 *HK$'000*	2016 *HK$'000*
Current assets	–	799,042
Non-current assets	–	2,794,778
Current liabilities	–	(319,952)
Non-current liabilities	–	(596,019)
Net assets	–	2,677,849
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	N/A	22.08%
Carrying amount of the investment	–	591,269
Revenue	350,939	825,331
Profit/(loss) for the year/period	(38,267)	23,380
Other comprehensive income	30,035	6,296
Total comprehensive income/(loss) for the year/period	(8,232)	29,676

18. INVESTMENT IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Easy One for the period from 30 September 2016 to 31 March 2017, and reconciled to the carrying amount in the consolidated financial statements:

	2017 *HK$'000*
Current assets	1,448,181
Non-current assets	555,224
Current liabilities	(490,905)
Non-current liabilities	(257,735)
Net assets	1,254,765
Non-controlling interest	(4,147)
Net assets attributable to the owners of Easy One	1,250,618
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	28.51%
Group's share of net assets of the associate	356,551
Fair value adjustment upon completion of the Step Acquisition of WYTH	(291,192)
Carrying amount of the investment	65,359
Revenue	218,602
Loss for the period	(102,402)
Other comprehensive loss	13,797
Total comprehensive loss for the period	(88,605)
Fair value of the Group's investment	52,305

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2017 *HK$'000*	2016 *HK$'000*
Share of the associates' profits for the period	7,859	–
Aggregate carrying amount of the Group's investments in the associates	29,759	–

19. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed debt securities, at fair value	99,731	11,969
Unlisted debt securities in Hong Kong, at fair value	1,070,976	503,451
	1,170,707	515,420
Less: Available-for-sale investments included in non-current assets	(1,134,828)	(313,996)
Current portion	35,879	201,424

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive amounted to HK$13,839,000 (2016: HK$33,437,000).

20. PROPERTIES HELD FOR SALE

	2017 HK$'000	2016 HK$'000
Carrying amount at 31 March	–	91,981

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials and consumables	32,744	–
Work in progress	6,784	–
Finished goods	151,130	–
	190,658	–

22. TRADE RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables	94,605	9,655
Impairment	(2,841)	(217)
	91,764	9,438

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 15 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 aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	38,298	8,868
1 to 3 months	30,288	210
3 to 6 months	20,375	1
Over 6 months	2,803	359
	91,764	9,438

22. TRADE RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2017 *HK$'000*	2016 *HK$'000*
At beginning of year	217	217
Business combination	1,367	–
Impairment losses recognised *(note 6)*	5,247	–
Amount written off as uncollectible	(3,990)	–
At end of year	2,841	217

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,841,000 (2016: HK$217,000) with a carrying amount before provision of HK$2,841,000 (2016: HK$217,000).

The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Neither past due nor impaired	74,981	9,295
Less than 1 month past due	5,885	1
1 to 3 months past due	8,626	–
3 to 6 months past due	818	142
Over 6 months past due	1,454	–
	91,764	9,438

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are amounts due from the Group's associates of HK$10,417,000 (2016: Nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

23. LOANS AND INTEREST RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Loans and interest receivables, secured	*(i)*	372,263	71,260
Loans and interest receivables, unsecured	*(ii)*	267,895	221,402
		640,158	292,662
Less: Impairment	*(iii)*	(4,643)	(5,844)
		635,515	286,818
Less: Loans and interest receivables classified as non-current assets		(80,594)	(7,196)
		554,921	279,622

Notes:

(i) These loans receivable are stated at amortised cost at effective interest rates ranging from 8% to 24% (2016: 10% to 24%). The credit terms of these loans receivable range from 5 months to 20 years (2016: 1 year to 6 years). As these loans receivable relate to a number of different borrowers, the directors of the Company are of the opinion that there is no concentration of credit risk over these loans receivable. 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 3% to 34.8% (2016: 5% to 34.8%). The credit terms of these loans receivable range from 1 year to 6 years (2016: 3 months to 22 years). As these loans receivable relate to a number of different borrowers, the directors of the Company are of the opinion that there is no concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

Included in the above loans and interest receivables are loans and interests receivables from Easy One of HK$81,585,000 (2016: Nil), which bears interest at 6.5% per annum and repayable within 2 years.

(iii) The movements in provision for impairment of loans and interest receivables are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	5,844	5,844
Impairment losses recognised *(note 6)*	4,643	–
Amount written off as uncollectible	(5,844)	–
At end of year	4,643	5,844

Included in the above provision for impairment of loans and interest receivables are provision for individually impaired receivables of HK$4,643,000 (2016: HK$5,844,000) with an aggregate carrying amount of HK$13,543,000 (2016: HK$5,844,000).

The individually impaired loans and interest receivables relate to borrowers that were in financial difficulties and were in default in both interest and principal payments.

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23. LOANS AND INTEREST RECEIVABLES (continued)

Notes: (continued)

(iii) (continued)

The aged analysis of the loans and interest receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	586,027	286,818
Less than 1 month past due	935	–
1 to 3 months past due	10,270	–
3 to 6 months past due	29,383	–
	626,615	286,818

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	99,538	11,898
Deposits *(note)*	1,032,260	16,702
Other receivables	919,416	10,721
	2,051,214	39,321
Less: Deposits and other receivables classified as non-current assets	(42,708)	(1,896)
	2,008,506	37,425

Note:

The deposits as at 31 March 2017 included (i) two deposits paid to vendors for the acquisition of subsidiaries amounted to HK$27,455,000 and HK$864,430,000, further details of which are disclosed in notes 47(a) and 47(b) to the financial statements, respectively; and (ii) a tender deposit of HK$50,000,000 paid to the Urban Renewal Authority in respect of a tender for a development project and had been fully refunded to the Group subsequent to the end of the reporting period.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default. The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2017 HK$'000	2016 HK$'000
Unlisted equity investments, at fair value		41,225	53,647
Listed equity investments, at market value	*(i)*	299,047	289,992
Derivative financial instruments, at fair value	*(ii)*	14,424	–
		354,696	343,639

The above financial instruments at 31 March 2017 and 2016 were classified as held for trading or were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Notes:

(i) Assuming the portfolio of the Group's listed equity investment has remained unchanged, the market values of the Group's listed equity investments at the date of approval of these financial statements were HK$269,840,000.

(ii) Details of the derivative financial instruments are as follows:

	Notes	2017 HK$'000	2016 HK$'000
Profit Guarantee	*(a)*	922	–
Call Option	*(b)*	13,502	–
		14,424	–

Notes:

(a) Profit Guarantee

Pursuant to the GMFG Subscription Agreement (as defined in note 27(ii) to the financial statements), Guangdong Meat Food Limited ("GMFL"), the joint venture partner, undertakes that the Group's share of the audited consolidated net profit of GMFG shall not be less than HK$3,880,000, HK$3,429,999, HK$4,171,000 and HK$4,171,000 for the year ended 31 March 2017 and the years ending 31 March 2018, 2019 and 2020, respectively (collectively, the "Guaranteed Profits"), and will compensate the Company for any shortfall between the Guaranteed Profits (the "Profit Guarantee") and the Group's share of actual profits for the relevant years on a dollar-to-dollar basis.

As at 1 April 2016 (date of completion of GMFG Subscription Agreement) and as at 31 March 2017, the fair values of the Profit Guarantee were HK$6,668,000 and HK$922,000, respectively, which were determined by Hong Kong Appraisal Advisory Limited ("HKAA"), a firm of independent professional valuers, based on the probabilistic flow method in which the cash flows for each year represent the difference between the Guaranteed Profit and the projected net profit.

The directors of the Company estimated the projected net profits of the GMFG under three different scenarios with respective scenario probabilities. The fair value of the Profit Guarantee was the probability-weighted average of the present values of the shortfalls between the guaranteed profits and the projected net profits under the two scenarios. A discount rate of 10% has been used to calculate the present value of cash flows of the Profit Guarantee.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(ii) (continued)

Notes: (continued)

(b) Call Option

Pursuant to GMFG Subscription Agreement, the Group was granted with a call option, whereby the Group has the discretion to acquire an additional 19% equity interest in GMFG at a consideration of HK$1, which is exercisable at any time within the first 4 years after the establishment of GMFG and after the submission of a listing application by GMFG for the listing of the shares of GMFG on the Hong Kong Stock Exchange (the "Call Option").

As at 1 April 2016 (date of completion of the GMFG Agreement) and as at 31 March 2017, the fair values of the Call Option were HK$5,237,000 and HK$13,502,000, respectively, which were determined by HKAA based on the Black-Scholes Options Pricing Model. The key inputs into the model for the value of the option are as follows:

	1 April 2016	**31 March 2017**
Equity value (HK$)	10,474	**27,004**
Maturity (year)	4	**3**
Risk free rate (%)	0.94	**1.08**
Volatility (%)	33.17	**35.49**

26. CASH AND CASH EQUIVALENTS

	2017 ***HK$'000***	2016 *HK$'000*
Cash and bank balances	**1,869,370**	795,141
Time deposits	**500,414**	492,943
	2,369,784	1,288,084
Less: included in assets classified as held for sale *(note 27)*	**(476)**	(769)
Cash and cash equivalents	**2,369,308**	1,287,315

As at the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$4,295,000 (2016: HK$3,083,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

	Notes	2017 HK$'000	2016 HK$'000
Assets classified as held for sale			
Assets of a disposal group classified as held for sale			
– Allied Wide and Easytex	*(i)*	35,680	–
– Easy Verse Group	*(ii)*	–	9,969
		35,680	9,969
Non-current assets classified as held for sale			
– Investment properties	*(iii)*	160,470	216,090
		196,150	226,059
Liabilities directly associated with assets classified as held for sale			
Liabilities of a disposal group classified as held for sale			
– Allied Wide and Easytex	*(i)*	4,049	–
– Easy Verse Group	*(ii)*	–	1,471
		4,049	1,471

Notes:

(i) On 21 February 2017, the Group entered into two agreements with an independent third party for the disposal of the Group's 100% equity interest in each of Allied Wide and Easytex for a considerations of HK$17,500,000 and HK$17,500,000, respectively. Allied Wide and Easytex are principally engaged in property investment in Hong Kong. The transaction was completed on 14 April 2017.

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27. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Notes: (continued)

(i) (continued)

The assets and liabilities of Allied Wide and Easytex (excluding an inter-company loan which is eliminated on consolidation) as at 31 March 2017 are as follows:

	Allied Wide *HK$'000*	Easytex *HK$'000*	Total *HK$'000*
Assets			
Investment properties	17,500	17,500	35,000
Prepayments, deposits and other receivables	36	42	78
Cash and cash equivalents	250	226	476
Tax recoverable	32	94	126
Assets of a disposal group classified as held for sale	17,818	17,862	35,680
Liabilities			
Other payables and accruals	(36)	(30)	(66)
Deposits received and receipts in advance	(192)	(153)	(345)
Deferred tax liabilities	(129)	(185)	(314)
Interest-bearing bank loans	(2,487)	(837)	(3,324)
Liabilities directly associated with the assets classified as held for sale	(2,844)	(1,205)	(4,049)
Net assets directly associated with the disposal group	14,974	16,657	31,631

27. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Notes: (continued)

(ii) On 31 March 2016, the Group entered into a subscription agreement (the "GMFG Subscription Agreement") with GMFL, an independent third party for the establishment of a joint venture, which is named as Guangdong Meat Food Group Limited ("GMFG"). Pursuant to the GMFG Subscription Agreement, the Group will transfer its entire interest in Easy Verse Limited ("Easy Verse"), together with its wholly-owned subsidiary, Greatest Wealth Limited ("Greatest Wealth") (collectively referred to as the "Easy Verse Group"), to GMFG in exchange for 30% equity interest in GMFG. Easy Verse Group is principally engaged in retails of pork in Hong Kong. The transaction was completed on 1 April 2016.

The assets and liabilities of the Easy Verse Group (excluding inter-company loan which is eliminated on consolidation) as at 31 March 2017 are as follows:

	HK$'000
Assets	
Plant and equipment	**1,372**
Goodwill	**5,214**
Inventories	**8**
Prepayments, deposits and other receivables	**2,224**
Intangible assets	**346**
Trade receivables	**36**
Cash and cash equivalents	**769**
Assets classified as held for sale	**9,969**
Liabilities	
Other payables and accruals	**(1,448)**
Deferred tax liabilities	**(23)**
Liabilities directly associated with the assets classified as held for sale	**(1,471)**
Net assets directly associated with the disposal group	**8,498**

(iii) As at 31 March 2017, the Group has committed to a plan to sell certain investment properties with an aggregate carrying value of HK$160,470,000 (2016: HK$216,090,000). The directors of the Company expected the sale of these investment properties will be completed by the end of 31 March 2018.

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28. TRADE PAYABLES

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

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	**85,747**	52,444
1 to 3 months	**23,422**	–
3 to 6 months	**15,120**	–
	124,289	52,444

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.

29. OTHER PAYABLES AND ACCRUALS

	2017 *HK$'000*	2016 *HK$'000*
Other payables	**68,832**	35,959
Accruals	**51,537**	43,369
	120,369	79,328
Less: Other payables classified as non-current liabilities	**–**	(21,973)
	120,369	57,355

Included in other payables and accruals of the Group as at 31 March 2017 is an amount of HK$2,444,000 (2016: HK$2,862,000) due to Shenzhen Jimao. The balance is unsecured, interest-free and has no fixed terms of repayment.

Other payables are non-interest-bearing and there are generally no credit terms. The carrying amounts of the above other payables approximate to their fair values.

30. INTEREST-BEARING BANK AND OTHER LOANS

	2017			2016		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans – secured	HIBOR+ (1.25 – 2.35)/ Prime rate – (2.5 – 2.75)	2017 or on demand	503,410	HIBOR+ (1.25 – 2.35)/ Prime rate – (2.5 – 2.75)	2016 or on demand	397,638
Bank loans – unsecured	HIBOR+ (1.5 – 2.05)	On demand	91,522	HIBOR+ (1.93 – 2.00) Prime rate – 2.50	On demand	51,025
Long term bank loans repayable on demand – secured	HIBOR+ (1.35 – 2.35)/ Prime rate – (2.5 – 2.75)	On demand	51,835	HIBOR+ (1.25 – 2.35)/ Prime rate – (2.5 – 2.75)	On demand	20,182
Long term bank loans repayable on demand – unsecured	HIBOR+ (1.5 – 2.05)	On demand	117,181	HIBOR+ (1.93 – 2.00)/ Prime rate – 2.50	On demand	131,202
Other loans – unsecured	6	2018	28,845	–	–	–
			792,793			600,047
Non-current:						
Bank loans – secured	HIBOR+ (1.2 – 1.75)	2018 – 2025	1,126,516	HIBOR+ (1.28 – 1.79)	2017 – 2025	1,364,379
Bank loans – unsecured	HIBOR+ (1.56 – 2.05)	2022 – 2026	2,161,965	–	–	–
Other loans – unsecured	–	–	–	6	2018	244,362
			3,288,481			1,608,741
Total			4,081,274			2,208,788

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30. INTEREST-BEARING BANK AND OTHER LOANS (continued)

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(note)*	763,948	600,047
In the second year	777,622	984,891
In the third to fifth years, inclusive	1,988,001	379,488
Beyond five years	522,858	–
	4,052,429	1,964,426
Other loans repayable:		
Within one year	28,845	–
In the second year	–	92,001
In the third to fifth years, inclusive	–	152,361
	28,845	244,362
	4,081,274	2,208,788

Note: As further explained in note 46 to the financial statements, the Group's term loans with an aggregate amount of HK$337,856,000 (2016: HK$312,680,000) containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other loans and analysed into bank and other loans repayable within one year or on demand.

30. INTEREST-BEARING BANK AND OTHER LOANS (continued)

At the end of the reporting period, the maturity profile of interest-bearing loans based on the scheduled repayment dates set out in the loan agreements is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Bank loans repayable:		
Within one year	597,493	448,663
In the second year	255,972	368,067
In the third to fifth years, inclusive	2,442,019	1,012,318
Beyond five years	756,945	135,378
	4,052,429	1,964,426
Other loans repayable:		
Within one year	28,845	–
In the second year	–	92,001
In the third to fifth years, inclusive	–	152,361
	28,845	244,362
	4,081,274	2,208,788

Notes:

(a) Certain bank loans of the Group are secured by the Group's land and buildings (note 13), investment properties and certain rental income generated therefrom (note 14), properties under development (note 15), and share charges in respect of the equity interests of three (2016: five) subsidiaries of the Company (note 1).

(b) All bank loans of the Group bear interest at floating interest rates.

(c) All other loans of the Group represented the loans advanced from the non-controlling shareholders of certain subsidiaries of the Group.

31. PROVISION FOR ONEROUS CONTRACTS

	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year	–	1,651
Provided during the year	4,080	–
Amount utilised during the year	–	(1,651)
Carrying amount at end of year	4,080	–

32. DEFERRED TAX

The components of deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Notes	Unrealised fair value gain arising from listed equity investment at fair value through profit of loss HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation gain of investment properties HK$'000	Withholding tax HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 April 2015		–	8,172	258	283	–	8,713
Deferred tax charged/(credited) to profit or loss during the year	10	8,702	(2,823)	(258)	(283)	–	5,338
Disposal of subsidiaries	39(b)	–	(1,133)	–	–	–	(1,133)
Business combination	37(b)	–	75	–	–	–	75
Transferred to liabilities directly associated with assets classified as held for sale	27(ii)	–	(23)	–	–	–	(23)
At 31 March 2016 and 1 April 2016		8,702	4,268	–	–	–	12,970
Deferred tax credited to profit or loss during the year	10	(6,520)	(632)	–	–	(6,207)	(13,359)
Business combination	37(a)	5,720	1,598	–	–	41,661	48,979
Transferred to liabilities directly associated with assets classified as held for sale	27(i)	–	(314)	–	–	–	(314)
At 31 March 2017		7,902	4,920	–	–	35,454	48,276

32. DEFERRED TAX (continued)

Deferred tax assets

	Notes	Losses available for offsetting against future taxable profits HK$'000	Provision for onerous contracts HK$'000	Total HK$'000
At 1 April 2015		4,865	190	5,055
Deferred tax charged to profit or loss during the year	10	(3,288)	(190)	(3,478)
At 31 March 2016 and 1 April 2016		1,577	–	1,577
Deferred tax credited to profit or loss during the year	10	12,296	674	12,970
Business combination	37(a)	10,837	–	10,837
At 31 March 2017		**24,710**	**674**	**25,384**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**25,384**	1,577
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(48,276)**	(12,970)
Carrying amount at 31 March	**(22,892)**	(11,393)

32. DEFERRED TAX (continued)

Deferred tax assets (continued)

The Group has tax losses arising in Hong Kong of HK$380,884,000 (2016: HK$158,969,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose tax losses of HK$149,758,000 (2016: HK$9,558,000) have been recognised as deferred tax assets. Deferred tax assets have not been recognised in respect of the remaining amount of HK$231,126,000 (2016: HK$149,411,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by its joint venture established in the PRC in respect of earnings generated from 1 January 2008. In the opinion of directors, the withholding taxes has no material impact to the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	2017 HK$'000	2016 HK$'000
Authorised:		
40,000,000,000 ordinary shares of HK$0.01 each	400,000	400,000
Issued and fully paid:		
19,288,520,047 ordinary shares of HK$0.01 each	192,885	192,885

33. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2015		6,524,935,021	65,249	1,462,363	1,527,612
Issue of shares upon exercise of share options	*(a)*	238,328	2	88	90
Bonus Issue	*(b)*	13,050,346,698	130,504	–	130,504
Cancellation of shares repurchased	*(c)*	(287,000,000)	(2,870)	(27,070)	(29,940)
		12,763,585,026	127,636	(26,982)	100,654
At 31 March 2016, 1 April 2016 and 31 March 2017		**19,288,520,047**	**192,885**	**1,435,381**	**1,628,266**

Notes:

(a) During the prior year, the subscription rights attached to 20,803 and 217,525 share options were exercised at the subscription prices of HK$0.3893 and HK$0.2234 per share, respectively, resulting in the issue of an aggregate of 238,328 shares of HK$0.01 each for a total cash consideration of HK$56,000, before expenses. An amount of HK$34,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 20 August 2015, the shareholders of the Company approved a bonus issue (the "Bonus Issue") of the shares on the basis of two bonus shares for every share held by qualifying shareholders whose names appear on the register of members of the Company on 28 August 2015, being the date for determining the entitlement to the Bonus Issue. The Bonus Issue was completed on 10 September 2015 and a total of 13,050,346,698 ordinary shares of HK$0.01 each were issued.

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33. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(c) The Company purchased 287,000,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$29,940,000. The purchased shares were cancelled during the year ended 31 March 2016.

Details of the shares repurchased by the Company during the year ended 31 March 2016 are summarised below:

Month of repurchase	Number of shares repurchased *'000*	Highest price per share *HK$*	Lowest price per share *HK$*	Aggregate price *HK$'000*
January 2016	156,000	0.121	0.100	16,220
February 2016	131,000	0.106	0.100	13,720
	287,000			29,940

Shares options

Details of the Company's share option scheme are set out in note 34 to the financial statements.

34. SHARE OPTION SCHEME

The Company's share option scheme

On 2 May 2012, the share option scheme adopted by the Company on 3 May 2002 (the "2002 Scheme") expired and a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company on 21 August 2012. As a result, the Company can no longer grant any further options under the 2002 Scheme. However, all options granted prior to the termination of the 2002 Scheme will remain in full force and effect. During the year ended 31 March 2017, no share option was granted, exercised, lapsed or cancelled under the 2012 Scheme.

Under the 2012 Scheme, share options may be granted to any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to any member of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The 2012 Scheme became effective on 21 August 2012 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

34. SHARE OPTION SCHEME (continued)

The Company's share option scheme

Purpose

The purpose of the 2012 Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Maximum number of shares available for subscription

Pursuant to the 2012 Scheme, the maximum number of share options that may be granted under the 2012 Scheme and any other share option schemes of the Company is an amount, upon their exercise, not in aggregate exceeding 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme and any other schemes shall not in aggregate exceed 10% of the number of shares in issue, as at the date of approval of the 2012 Scheme limit or as refreshed from time to time.

Maximum entitlement of each participant

The maximum number of shares issuable under share options to each eligible participant (except for a substantial shareholder or an independent non-executive director or any of their respective associate) under the 2012 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders with such eligible participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). Where any grant of share options to a substantial shareholder or an independent non-executive director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2012 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director (or any of their respective associate) is also required to be approved by shareholders.

34. SHARE OPTION SCHEME (continued)

The Company's share option scheme (continued)

Basis of determining the exercise price

The option price per share payable on the exercise of an option is determined by the directors, provided that it shall be at least the higher of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer of the grant is HK$1.00.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2002 Scheme during the year:

	2017		2016	
	Weighted average exercise price *HK$ per share*	Number of options *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At beginning of year	–	–	0.2379	238
Cancelled during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	0.2379	(238)
At end of year	–	–	–	–

The weighted average share price at the date of exercise of share options exercised during the year ended 31 March 2016 was HK$0.435 per share.

As at 31 March 2017 and 2016, there were no share options outstanding.

34. SHARE OPTION SCHEME (continued)

WOP Share Option Scheme

WOP operates a share option scheme (the "WOP Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of WOP and its subsidiaries (collectively referred to as the "WOP Group"). Share options may be granted to any WOP's director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the WOP Group, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to any member of the WOP Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The WOP Share Option Scheme became effective on 9 August 2016 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Purpose

The purpose of the WOP Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Maximum number of shares available for subscription

Pursuant to the WOP Share Option Scheme, the maximum number of share options that may be granted under the WOP Share Option Scheme and any other share option schemes of WOP is an amount, upon their exercise, not in aggregate exceeding 30% of the issued share capital of WOP from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options to be granted under the WOP Share Option Scheme and any other schemes shall not in aggregate exceed 10% of the number of shares in issue, as at the date of approval of the WOP Share Option Scheme limit or as refreshed from time to time.

Maximum entitlement of each participant

The maximum number of shares issuable under share options to each eligible participant (except for a substantial shareholder or an independent non-executive director or any of their respective associate) under the WOP Share Option Scheme within any 12-month period is limited to 1% of the shares of WOP in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders with such eligible participant and his associates abstaining from voting.

34. SHARE OPTION SCHEME (continued)

WOP Share Option Scheme (continued)

Maximum entitlement of each participant (continued)

Share options granted to a director, chief executive or substantial shareholder of WOP (or any of their respective associates) must be approved by the independent non-executive directors of WOP (excluding any independent non-executive director who is the grantee of the option). Where any grant of share options to a substantial shareholder or an independent non-executive director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the WOP Share Option Scheme and any other share option schemes of WOP (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of WOP's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director (or any of their respective associate) is also required to be approved by shareholders.

Basis of determining the exercise price

The option price per share payable on the exercise of an option is determined by the directors, provided that it shall be at least the higher of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to WOP on acceptance of the offer of the grant is HK$1.00.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted since the adoption of the WOP Share Option Scheme.

34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes

The share option scheme adopted by the WYTH on 18 September 2003 (the "WYTH 2003 Share Option Scheme") was terminated with the approval by the shareholders of WYTH at the annual general meeting held on 22 August 2013 and a new share option scheme (the "WYTH 2013 Share Option Scheme") was approved to be adopted by the shareholders of the Company on 22 August 2013. The WYTH 2013 Share Option Scheme will remain in force for a period of 10 years from that day, unless otherwise terminated earlier by shareholders in a general meeting. As a result, the Company can no longer grant any further options under the WYTH 2003 Share Option Scheme.

Upon the termination of the WYTH 2003 Share Option Scheme, no share options were granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercise period in accordance with the terms of the WYTH 2003 Share Option Scheme. The WYTH 2003 Share Option Scheme and WYTH 2013 Share Option Scheme are collectively known as (the "WYTH Share Option Schemes")

The WYTH Share Option Schemes are for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to WYTH Group.

Pursuant to the WYTH Share Option Scheme, the board of directors may grant options to directors and eligible employees of the WYTH and its subsidiaries (collectively, the "WYTH Group") to subscribe for shares in the WYTH at a consideration equal to the higher of the closing price of the shares of the WYTH on the Stock Exchange at the date of offer of grant and the average closing price of the shares of the WYTH on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share options up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

The maximum number of shares of the WYTH in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the WYTH from time to time excluding any shares issued upon the exercise of options granted pursuant to the WYTH 2013 Share Option Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the WYTH 2013 Share Option Scheme shall not exceed 10% of the shares in issue as at the date of approval of the WYTH 2013 Share Option Scheme.

The total number of shares in respect of which options may be granted to an eligible person under the WYTH 2013 Share Option Scheme is not permitted to exceed 1% of the aggregate number of shares for the time being issued and issuable under the WYTH 2013 Share Option Scheme.

No share option has been granted since the adoption of the WYTH 2013 Share Option Scheme.

34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes (continued)

The following share options were outstanding under the WYTH 2003 Share Option Scheme during the year:

	2017 Weighted average exercise price HK$ per share	2017 Number of options '000
At WYTH Completion Date (as defined in note 37(a))	13.350	47
At end of year	13.350	47

There were no share options granted or exercised for the years ended 31 March 2017 (2016: Nil).

There was no share-based payment recognised during the year ended 31 March 2017 (2016: Nil).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

Number of options '000	Exercise price* HK$ per share	Exercise period*
21	20.6927	8.1.2010 to 7.1.2019
26	7.4197	12.5.2011 to 11.5.2020
47		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The options granted vested as follows:

On the 1st anniversary of the date of grant	30% vested
On the 2nd anniversary of the date of grant	Further 30% vested
On the 3rd anniversary of the date of grant	Remaining 40% vested

34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes (continued)

At the end of the reporting period, the Company had 47,577 share options outstanding under the WYTH 2003 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 47,577 additional ordinary shares of the Company and additional share capital of HK$476 and share premium of HK$635,000 (before issue expenses).

At the date of approval of these financial statements, WYTH had 39,170 share options outstanding under the WYTH 2003 Share Option Scheme, which represented approximately 0.003% of WYTH's shares in issue at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 76 and 77 of the financial statements.

(a) Contributed surplus

The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group's reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

(b) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(c) Treasury shares

A subsidiary of the Group holds certain listed shares of the Company. These shares are treated as treasury shares, a deduction from equity holders' equity. Gains and losses on sale or redemption of the treasury shares are credited or charged to equity. The total number of treasury shares as at 31 March 2017 was approximately 423,000,000 (31 March 2016: Nil).

(d) Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017
Percentage of equity interest held by non-controlling interests:	
WOP	25%
WYTH	48.68%

	2017 *HK$'000*
Profit/(loss) for the year allocated to non-controlling interests:	
WOP	7,096
WYTH	(30,789)
Accumulated balances of non-controlling interests at the reporting date:	
WOP	588,191
WYTH	1,226,403

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	WOP *HK$'000*	WYTH *HK$'000*
2017		
Revenue	152,417	387,501
Profit/(loss) for the year/period	28,385	(55,152)
Other comprehensive loss for the year/period	–	(8,096)
Total comprehensive income/(loss) for the year/period	28,385	(63,248)
Current assets	6,338,643	863,165
Non-current assets	1,689,412	2,710,086
Current liabilities	3,220,150	212,641
Non-current liabilities	2,416,291	702,887
Net cash flows from/(used in) operating activities	316,239	(22,697)
Net cash flows used in investing activities	(630,515)	(88,622)
Net cash flows from/(used in) financing activities	1,195,678	(23,286)
Net increase/(decrease) in cash and cash equivalents	881,402	(134,605)

37. BUSINESS COMBINATIONS

Year ended 31 March 2017

(a) Step Acquisition of WYTH

On 29 September 2016, WYTH completed the WYT Rights Issue and WYTH became a subsidiary of the Group. The results of WYTH Group is consolidated into the Group's financial statements commencing from the acquisition date (i.e. 29 September 2016 (the "WYTH Completion Date")).

The Group accordingly remeasured the fair value of its pre-existing interest in WYTH at the WYTH Completion Date and recognised the resulting loss of HK$550,445,000 on the remeasurement of the Group's pre-existing interest in WYTH to acquisition date fair value.

Details of the carrying value and fair value of the Group's pre-existing interest in WYTH at the WYTH Completion Date are summarised as follows:

	HK$'000
Share of net assets	**569,650**
Other reserves	**11,870**
	581,520
Less: Fair value of pre-existing interest	**(31,075)**
Loss on re-measurement	**550,445**

31 March 2017

37. BUSINESS COMBINATIONS (continued)

(a) Step Acquisition of WYTH (continued)

The aggregate fair values of the identifiable assets and liabilities of WYTH Group as at the acquisition date are as follows:

	Fair values recognised on acquisition date *HK$'000*
Investment properties	481,800
Property, plant and equipment	785,214
Investments in associates	90,619
Trademarks	68,991
Available-for-sale investments	720,000
Deposit paid	121,533
Deferred tax assets	10,837
Inventories	228,109
Trade receivables	144,206
Interests receivables	24,842
Prepayment, deposit and other receivables	67,290
Financial assets at fair value through profit or loss	131,462
Tax recoverable	2,053
Cash and cash equivalents	669,470
Trade payables	(63,131)
Other payables and accruals	(78,188)
Interest-bearing bank loans	(773,750)
Deferred tax liabilities	(48,979)
Total identifiable net assets at fair value	2,582,378
Treasury shares *(note)*	27,918
	2,610,296
Non-controlling interests	(1,273,808)
	1,336,488
Gain on bargain purchase	(1,056,230)
	280,258
Satisfied by:	
Cash	249,183
Fair value of pre-existing interest in WYTH at the date of acquisition	31,075
	280,258

Note: As at the acquisition date, WYTH Group held 423,000,000 shares of the Company and the fair value of the Company's shares held by WYTH Group was HK$27,918,000. The fair value of WYTH Group's interest in the Company was then reclassified to treasury shares.

37. BUSINESS COMBINATIONS (continued)

(a) Step Acquisition of WYTH (continued)

The fair values of trade receivables as at the date of acquisition amounted to HK$144,206,000. The gross contractual amounts of trade receivables were HK$149,453,000.

The transaction costs of HK$2,220,000 incurred for the Step Acquisition of WYTH were expensed off and included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the Step Acquisition of WYT is as follows:

	HK$'000
Cash consideration	(249,183)
Cash and cash equivalents acquired	669,470
Net inflow of cash and cash equivalents included in cash flows from investing activities	420,287
Transaction costs of the Step Acquisition of WYTH included in cash flows from operating activities	(2,220)
	418,067

Since the completion of the Step Acquisition of WYTH on 29 September 2016, the WYTH Group contributed revenue of HK$436,664,000 and contributed a loss of HK$90,716,000 included in the consolidated profit for the year ended 31 March 2017.

Had the Step Acquisition of WYTH taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the year would have been HK$1,250,887,000 and HK$346,940,000, respectively.

37. BUSINESS COMBINATIONS (continued)

Year ended 31 March 2016

(b) Acquisition of Greatest Wealth

On 16 March 2016, the Group acquired a 100% interest in Greatest Wealth from All Access Limited, a wholly-owned subsidiary of Easy One Financial Group Limited, at a cash consideration of HK$9,000,000. The acquisition of Greatest Wealth was completed on 16 March 2016.

The fair values of the identifiable assets and liabilities of Greatest Wealth as at the date of acquisition were as follows:

	Fair values recognised on acquisition date *HK$'000*
Property, plant and equipment *(note 13)*	1,060
Inventories	181
Prepayments, deposits and other receivables	2,270
Intangible assets	346
Trade receivables	36
Cash and cash equivalents	1,060
Other payables and accruals	(1,092)
Deferred tax liabilities	(75)
Total identifiable net assets at fair value	3,786
Goodwill on acquisition	5,214
Satisfied by cash	9,000

An analysis of the cash flows in respect of the acquisition of Greatest Wealth is as follows:

	HK$'000
Cash consideration	9,000
Cash and bank balances acquired	(1,060)
Net inflow of cash and cash equivalents included in cash flows from investing activities	7,940

Since the completion of the equity transfer, Greatest Wealth did not contribute any revenue to the Group and contributed a loss of HK$502,000 to the Group's consolidated profit for the year ended 31 March 2016.

Had the combination taken place at the beginning of the year, there would be no change in revenue and the profit of the Group for the year ended 31 March 2016 would be HK$449,382,000.

38. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESS

Year ended 31 March 2017

On 7 November 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interests in Fession Group Limited ("Fession", and together with its sole subsidiary, Stadium, (collectively, the "Fession Group"), and the shareholder's loan owed by Fession Group to its then shareholder, at a total cash consideration of HK$512,225,000 ("Cash Consideration"). Fession Group is principally engaged in property investment in Hong Kong and as at the date of acquisition, Fession Group did not carry out any significant business transaction except for holding a property in Hong Kong.

The above acquisition has been accounted for by the Group as an acquisition of assets as the entities acquired by the Group do not constitute a business.

Pursuant to the relevant sale and purchase agreement, the Cash Consideration was adjusted to HK$509,503,000 based on the net assets value of Fession Group as at 25 January 2017 (the date of completion). The net assets acquired by the Group in the above transaction are as follows:

	HK$'000
Net assets acquired:	
Investment property	512,225
Prepayments, deposits and other receivables	239
Tax recoverable	139
Bank balances	103
Accruals	(3,203)
	509,503
Satisfied by:	
Cash	509,503

An analysis of the cash flows in respect of the acquisition of Fession is as follows:

	HK$'000
Cash consideration	(509,503)
Bank balances acquired	103
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries that are not business	(509,400)
Transaction costs of the acquisition included in cash flows from operating activities	(799)
	(510,199)

39. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2017

(a) Pursuant to the GMFG Subscription Agreement, the Group transferred its entire interest in Easy Verse Group to GMFG in exchange for 30% equity interest in GMFG. The transaction was completed on 1 April 2016.

Details of the net assets of the Easy Verse Group disposed of and their financial impacts are summarised as follows:

	HK$'000
Net assets disposal of:	
Plant and equipment	1,372
Goodwill	5,214
Inventories	8
Prepayments, deposits and other receivables	2,224
Intangible assets	346
Trade receivables	36
Cash and cash equivalents	769
Other payables and accruals	(1,448)
Deferred tax liabilities	(23)
	8,498
Gain on disposal of subsidiaries	25,306
	33,804
Satisfied by:	
Fair value of 30% equity interest in GMFG *(note)*	21,899
Financial assets at fair value through profit or loss *(note 25)*	11,905
	33,804

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Easy Verse Group is as follows:

	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(769)
Net outflow of cash and cash equivalents in respect of the disposal of the Easy Verse Group	(769)

Note: The fair value was determined by HKAA based on an income approach. A discount rate of 10% has been used to calculate the fair value of GMFG as at 1 April 2016.

39. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 March 2016

(b) Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	Notes	Cititeam HK$'000 (note (a))	Easy Kingdom HK$'000 (note (b))	Good Excellent HK$'000 (note (c))	Sunbo HK$'000 (note (d))	Level Success Group HK$'000 (note (e))	Total HK$'000
Net assets disposed of:							
Investment properties	*14*	10,500	158,000	28,000	–	520,998	717,498
Properties held for sale		–	–	–	24,843	–	24,843
Tax recoverable		–	–	21	33	–	54
Prepayments, deposits and other receivables		2	5	–	7	722	736
Cash and bank balances		–	456	451	433	68	1,408
Other payable and accrual		(28)	(1)	(32)	(32)	–	(93)
Deposits received and receipts in advance		(63)	(285)	(277)	(240)	(527)	(1,392)
Tax payable		(138)	(110)	–	–	–	(248)
Deferred tax liabilities	*32*	(21)	(1,101)	(9)	(2)	–	(1,133)
		10,252	156,964	28,154	25,042	521,261	741,673
Professional fees and expenses		99	2,552	37	45	10,145	12,878
Investment in an associate		–	–	–	3,787	–	3,787
Gains/(losses) on disposal of subsidiaries	*5*	703	(1,964)	(37)	13,325	292,279	304,306
		11,054	157,552	28,154	42,199	823,685	1,062,644
Satisfied by:							
Cash		11,054	157,552	28,154	42,199	823,685	1,062,644

39. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Cititeam HK$'000 (note (a))	Easy Kingdom HK$'000 (note (b))	Good Excellent HK$'000 (note (c))	Sunbo HK$'000 (note (d))	Level Success Group HK$'000 (note (e))	Total HK$'000
Cash consideration	11,054	157,552	28,154	42,199	823,685	1,062,644
Cash and bank balances disposed of	–	(456)	(451)	(433)	(68)	(1,408)
Professional fees and expenses	(99)	(2,552)	(37)	(45)	(10,145)	(12,878)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,955	154,544	27,666	41,721	813,472	1,048,358

Notes:

(a) On 18 September 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Cititeam Investment Limited ("Cititeam"), for a total consideration of HK$11,054,000. The transaction was completed on 18 September 2015.

(b) On 12 August 2015, the Group entered into a conditional agreement with an independent third party to dispose of its entire interests in Easy Kingdom Limited ("Easy Kingdom"), which is principally engaged in property investment in Hong Kong, for a total consideration of HK$157,552,000. The transaction was completed on 11 November 2015.

(c) On 25 November 2015, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of WYTH to dispose of its entire equity interest in Good Excellent and a shareholder's loan owed by the Group for a total consideration of HK$28,154,000. The disposal of Good Excellent was completed on 23 December 2015.

(d) On 25 November 2015, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of WYTH to dispose of its entire equity interest in Sunbo and a shareholder's loan owed by the Group for a total consideration of HK$42,199,000. The disposal of Sunbo was completed on 23 December 2015.

(e) On 1 December 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interests in Level Success Limited, which is principally engaged in investment holding and is the holding company of a property holding subsidiary, for a total consideration of HK$823,685,000. The transaction was completed on 15 February 2016.

40. DEEMED PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 12 April 2016, the Group has successfully spun off its property development and property investment business through a separate listing of its then wholly-owned subsidiary, WOP, on the Main Board of the Hong Kong Stock Exchange (the "WOP Spin-Off"). The WOP Spin-off was achieved by the share offering of 380,000,000 shares at an issue price of HK$0.92 per share (the "WOP Offering").

Immediately following the completion of the WOP Offering, the Group's equity interest in WOP was diluted from 100% to 75% and thus the WOP Spin-Off is considered as a deemed partial disposal of WOP by the Group. Since the deemed partial disposal of WOP did not result in any loss of control, such transaction was accounted for as an equity transaction and the difference between the proceeds from the WOP Offering and the 25% carrying value of WOP Group amounted to HK$259,048,000 is recognised in the capital reserve of the Group.

A summary of the financial impacts of the WOP Spin-Off are as follows:

	HK$'000
Proceeds from the WOP Offering	349,600
Less: 25% carrying value of WOP Group	(591,136)
Share of share issue expenses	(17,512)
Loss on deemed partial disposal of interest in WOP	(259,048)

An analysis of the cash flows in respect of the deemed disposal of partial interest in WOP is as follows:

	HK$'000
Proceed from the WOP Offering	349,600
Less: Legal and professional fee paid	(20,710)
Net inflow of cash and cash equivalents in respect of the WOP Offering	328,890

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41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) and sub-leases Chinese wet markets under operating lease arrangements, with leases negotiated for terms ranging from one year to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	201,803	207,361
In the second to fifth years, inclusive	144,711	218,850
After five years	5,370	–
	351,884	426,211

(b) As lessee

The Group leases certain Chinese wet markets, certain of its office properties and retail shops under operating lease arrangements. Leases are negotiated for terms ranging from one year to eight years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	172,132	124,472
In the second to fifth years, inclusive	445,301	373,503
After five years	16,097	122,443
	633,530	620,418

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Properties under development	1,365,996	127,543
Property, plant and equipment	68,280	–
Acquisition of subsidiaries	885,664	–
	2,319,940	127,543

43. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties

	Notes	2017 HK$'000	2016 HK$'000
Rental income received from a director*	*(i)*	1,200	1,200
Rental expenses paid to a company of which a director of the Company is a controlling shareholder	*(ii)*	323	300
Transactions with WYTH Group: #			
– Management fee income	*(ii)*	–	960
– Rental income	*(ii)*	5,100	10,994
– Rental expenses	*(ii)*	1,371	2,096
– Purchases of products	*(iii)*	2,011	6,828
Associates			
– Sales of pharmaceutical products by the Group	*(ii)*	14,412	24,438
– Rental income	*(i)*	1,424	1,904
– Interest income	*(iii)*	1,585	–
– Management and promotion fees income	*(i)*	610	1,024
– Sub-licensing fee income	*(ii)*	13,858	–

* These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

WYTH Group ceased to be a related party of the Group since 29 September 2016 upon completion of the Step Acquisition of WYTH.

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) A property of the Group was leased to a director at a monthly rental of HK$100,000 (2016: HK$100,000). The rental was determined with reference to the prevailing market rates.

(ii) The transactions were based on terms mutually agreed between the Group and the related party.

(iii) The purchases from WYTH Group were made according to the published prices and conditions offered by WYTH Group to its customers.

(iv) Details of the disposal of Good Excellent and Sunbo to WYTH Group in the prior year are set out in note 39 to the financial statements.

(b) Outstanding balance with a related party

Details of the Group's balance with its joint venture and associates as at the end of the reporting period are disclosed in note 22, 23 and 29 to the financial statements.

(c) Compensation of key management personnel of the Group

	2017 *HK$'000*	2016 *HK$'000*
Short term employment benefits	17,200	5,589
Post-employment benefits	72	67
Total compensation paid to key management personnel	17,272	5,656

The above compensation of key management personnel excludes the directors' remuneration, details of which are set out in note 8 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

Except for available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair value, other financial assets and liabilities of the Group as at 31 March 2017 and 2016 are loans and receivables, and financial liabilities at amortised cost, respectively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, time deposits, trade payables, financial assets included in prepayments, deposits and other receivables, the current portion of loans and interest receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the director and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans and interest receivables and interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other loans as at 31 March 2017 was assessed to be insignificant.

The fair values of listed equity investments and listed debt investments are based on quoted market prices. The fair values of unlisted available-for-sale debt investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The fair values of unlisted financial assets at fair value through profit or loss have been estimated using the net asset value per share of the investments. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The carrying amount of the fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	31 March 2017 HK$'000	31 March 2016 HK$'000	31 March 2017 HK$'000	31 March 2016 HK$'000
Financial assets				
Financial assets at fair value through profit or loss	354,696	343,639	354,696	343,639
Available-for-sale investments	1,170,707	515,420	1,170,707	515,420
Loans and interest receivables	635,515	286,818	635,515	286,818
	2,160,918	1,145,877	2,160,918	1,145,877
Financial liabilities				
Interest-bearing bank and other loans	4,081,274	2,208,788	4,081,274	2,208,788

For the fair value of the unlisted available-for-sale debt investments, discounted financial instrument in respect of the profit guarantee and call option, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value using less favourable assumptions, and an increase in fair value using more favourable assumptions.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2017 and 2016:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
As at 31 March 2017				
Unlisted available-for-sale debt investments	Discounted cash flow method	Discount for credit risk	9.06%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$22,198,000 (HK$22,921,000)
Discounted financial instrument in respect of the profit guarantee	Probabilistic flow method	Discount rate	10%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$22,000 (HK$22,000)
Call option	Black-Scholes Options Pricing Model	Risk free rate	1.08%	1% increase (decrease) in risk free rate would have no material impact on the fair value
		Volatility	35.49%	1% increase (decrease) in volatility would have no material impact on the fair value
As at 31 March 2016				
Unlisted available-for-sale debt investments	Discounted cash flow method	Discount for credit risk	11.57%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$9,855,000 (HK$9,502,000)

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Available-for-sale investments:				
Debt investments	99,731	–	1,070,976	1,170,707
Equity investments at fair value through profit or loss	299,047	41,225	–	340,272
Derivatives financial instruments	–	–	14,424	14,424
	398,778	41,225	1,085,400	1,525,403

As at 31 March 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Available-for-sale investments:				
Debt investments	11,969	–	503,451	515,420
Equity investments at fair value through profit or loss	289,992	53,647	–	343,639
	301,961	53,647	503,451	859,059

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements in Level 3 during the years are as follows:

	HK$'000
Available-for-sale investments – unlisted:	
At 1 April 2015	465,736
Total gains recognised in the statement of profit or loss	3,878
Total gains recognised in other comprehensive income	33,837
At 31 March 2016 and 1 April 2016	**503,451**
Derivative financial instruments recognised *(note 39)*	**11,905**
Business combinations *(note 37(a))*	**720,000**
Acquisition	**30,000**
Disposal	**(200,000)**
Total gains recognised in the statement of profit or loss	**2,519**
Total gains recognised in other comprehensive income	**17,525**
At 31 March 2017	**1,085,400**

The Group did not have any financial liabilities measured at fair value as at 31 March 2017 and 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, debt securities, available-for-sale investments, trade and other receivables, loans and interest receivables, deposits, trade and other payables, accruals, deposits received, cash and bank balances and bank and other borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2017		
HK$	**100**	**(40,524)**
HK$	**(100)**	**40,524**
2016		
HK$	100	(19,644)
HK$	(100)	19,644

Foreign currency risk

The Group has minimal transactional currency exposure arising from sales or purchases by operating units in currencies other than the units' functional currencies, and hence it does not have any foreign currency hedging policies.

Part of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries and joint venture to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under the PRC existing foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Currently, the Group's PRC subsidiaries and joint venture may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group's PRC subsidiaries and joint venture may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries and joint venture's ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Group.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2017		
If Euro strengthens against HK$	**8.869**	**8**
If Euro weakens against HK$	**(8.869)**	**(8)**
If HK$ strengthens against RMB	**7.319**	**3**
If HK$ weakens against RMB	**(7.319)**	**(3)**
2016		
If Euro strengthens against HK$	7.847	7
If Euro weakens against HK$	(7.847)	(7)
If HK$ strengthens against RMB	5.732	3
If HK$ weakens against RMB	(5.732)	(3)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, loans and interest receivables and debt securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The maximum exposure of these financial assets is equal to the carrying amounts of these instruments.

In respect of trade and other receivables, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of loans and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers. Certain of these loans and interests receivable are secured by share charges in respect of the equity interest of certain subsidiaries and unlisted equity investments of the respective borrowers.

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk. Management regularly reviews the credit exposure and does not expect any investment counterparty to fail to meet its obligations.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and certain listed equity securities, with the maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from available-for-sale investments (note 19), trade and other receivables (notes 22 and 24) and loans and interest receivables (note 23) are disclosed in the corresponding notes to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual and undiscounted payments, was as follows:

	2017					
	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Bank loans *(Note)*	337,856	525,650	838,451	2,033,158	522,858	4,257,973
Other loans *(note 30)*	–	30,576	–	–	–	30,576
Trade payables *(note 28)*	–	124,289	–	–	–	124,289
Other payables and accruals *(note 29)*	–	120,369	–	–	–	120,369
	337,856	800,884	838,451	2,033,158	522,858	4,533,207

	2016					
	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Bank loans *(Note)*	312,680	323,765	1,014,611	386,828	–	2,037,884
Other loans (note 30)	–	–	103,041	179,786	–	282,827
Trade payables *(note 28)*	–	52,444	–	–	–	52,444
Other payables and accruals *(note 29)*	–	57,355	7,972	14,001	–	79,328
	312,680	433,564	1,125,624	580,615	–	2,452,483

Note:

Included in interest-bearing bank loans of the Group are term loans with an aggregate principal amounting to HK$337,856,000 (2016: HK$312,680,000), of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note: (continued)

Notwithstanding the above clause, the directors do not believe that these loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	Within 1 year HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 March 2017	**179,639**	**65,610**	**102,568**	**4,948**	**352,765**
31 March 2016	167,574	58,103	90,241	8,031	323,949

Price risk

Price risk is the risk that the fair values of financial investments decrease as a result of changes in the levels of equity indices and the value of individual debt securities. The Group was exposed to price risk arising from individual financial investments classified as available-for-sale investments (note 19) and financial assets at fair value through profit or loss (note 25) as at 31 March 2017.

The Group's debt securities are traded in the over-the-counter market and are valued at fair value at each year end date with reference to the trading prices quoted in the market. The Group's listed equity investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 March 2017	High/low 2017	31 March 2016	High/low 2016
Hong Kong – Hang Seng Index	**24,112**	**24,593/19,694**	20,777	28,133/19,112

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these financial investments.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the financial investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments *HK$'000*	Increase/ (decrease) in price *%*	Increase/ (decrease) in profit before tax *HK$'000*
2017			
Equity securities listed in Hong Kong:			
Held-for-trading	**299,047**	**24.88**	**74,403**
Held-for-trading	**299,047**	**(24.88)**	**(74,403)**
Equity securities unlisted in Hong Kong:			
Held-for-trading	**41,225**	**24.88**	**10,257**
Held-for-trading	**41,225**	**(24.88)**	**(10,257)**
2016			
Equity securities listed in Hong Kong:			
Held-for-trading	289,992	47.20	136,876
Held-for-trading	289,992	(47.20)	(136,876)
Equity securities unlisted in Hong Kong:			
Held-for-trading	53,647	47.20	25,321
Held-for-trading	53,647	(47.20)	(25,321)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2017.

The Group monitors capital using a net gearing ratio, which is net debt divided by equity attributable to owners of the parent. Net debt is calculated as a total of interest-bearing bank and other loans, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Interest-bearing bank and other loans *(note 30)*	**4,081,274**	2,208,788
Less: Cash and cash equivalents *(note 26)*	**(2,369,308)**	(1,287,315)
Net debt	**1,711,966**	921,473
Equity attributable to owners of the parent	**4,612,980**	4,557,270
Gearing ratio	**37.11%**	20.22%

47. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 February 2017, the Group entered into a provisional sale and purchase agreement with two independent third parties to acquire the entire equity interest of PT Harvest Holdings Limited, which is engaged in property investment in Hong Kong, for a total cash consideration of HK$274,549,000. A deposit of HK$27,455,000 was paid to that two independent third parties and included in "Prepayments, deposits and other receivables" as at 31 March 2017. This acquisition was completed on 25 April 2017.

Further details of this acquisition are set out in the Company's announcement dated 20 February 2017.

(b) On 15 March 2017, the Group entered into a provisional sale and purchase agreement with another two independent third parties to acquire for the entire equity interest of Loyal Pioneer Limited ("Loyal Pioneer"), which is engaged in property development in Hong Kong. A deposit of HK$864,430,000 was paid to that two independent third parties and included in "Prepayments, deposits and other receivables" as at 31 March 2017. This acquisition was completed on 19 May 2017.

(c) On 7 June 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of a 50% equity interest in Wonder Sign Limited ("Wonder Sign"), a wholly-owned subsidiary of the Group and a shareholder loan owed to the Group. Wonder Sign and its sole subsidiary, Double Bright, are principally engaged in property development in Hong Kong. This disposal was completed on 7 June 2017.

Further details of this disposal are set out in the Company's announcement dated 7 June 2017.

Because the transaction was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the transaction.

48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform the current year's presentation.

31 March 2017

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 *HK$'000*	2016 *HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,638,609**	2,525,128
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,683**	2,512
Financial assets at fair value through profit or loss	**47,483**	69,254
Cash and cash equivalents	**585,039**	642,209
Tax recoverable	**1,108**	–
Total current assets	**636,313**	713,975
CURRENT LIABILITIES		
Other payables and accruals	**19,055**	19,862
Interest-bearing bank and other loans	**235,525**	236,649
Tax payable	**–**	445
Total current liabilities	**254,580**	256,956
NET CURRENT ASSETS	**381,733**	457,019
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,020,342**	2,982,147
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	**221,644**	41,697
Deferred tax liabilities	**4,543**	8,702
Total non-current liabilities	**226,187**	50,399
Net assets	**2,794,155**	2,931,748
EQUITY		
Issued capital	**192,885**	192,885
Reserves *(Note)*	**2,601,270**	2,738,863
Total equity	**2,794,155**	2,931,748

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Contributed surplus HK$'000 (Note)	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015		1,462,363	321,388	34	939,668	2,723,453
Total comprehensive income for the year		–	–	–	257,756	257,756
Issue of shares upon exercise of share options	*33(a)*	88	–	(34)	–	54
Bonus Issue	*33(b)*	–	–	–	(130,504)	(130,504)
Shares repurchased and cancelled	*33(c)*	(27,070)	–	–	–	(27,070)
Final 2015 dividend		–	–	–	(65,250)	(65,250)
Interim 2016 dividend	*11*	–	–	–	(19,576)	(19,576)
At 31 March 2016 and 1 April 2016		**1,435,381**	**321,388**	**–**	**982,094**	**2,738,863**
Total comprehensive income for the year		**–**	**–**	**–**	**(21,860)**	**(21,860)**
Final 2016 dividend	*11*	**–**	**–**	**–**	**(96,444)**	**(96,444)**
Interim 2017 dividend	*11*	**–**	**–**	**–**	**(19,289)**	**(19,289)**
At 31 March 2017		**1,435,381**	**321,388**	**–**	**844,501**	**2,601,270**

Note: The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group's reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2017.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	Commercial premises for rental	Long term lease	75.0%
Ground Floor including Cockloft, Foon Shing Building, No. 732 Nathan Road, Mong Kok, Kowloon	Commercial premises for rental	Long term lease	75.0%
Shop 1 and 2 on Ground Floor, "726 Nathan Road", No. 726 Nathan Road, Mong Kok, Kowloon	Commercial premises for rental	Long term lease	75.0%
Shop A, B and C on Ground Floor, No. 111 Ma Tau Wai Road, To Kwa Wan, Kowloon	Commercial premises for rental	Medium term lease	75.0%
Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories	Commercial premises for rental	Medium term lease	75.0%
Shop 6 on Ground Floor, Grandeur Garden, Nos. 14–18 Chik Fai Street, Nos. 55–65 Tai Wai Road, Shatin, New Territories	Commercial premises for rental	Medium term lease	75.0%
Ground Floor & Mezzanine Floor, No.166 Sai Yeung Choi Street South, Kowloon	Commercial premises for rental	Long term lease	75.0%
Office on 30th Floor, United Centre, No.95 Queensway, Hong Kong	Commercial premises for rental	Long term lease	75.0%
13th Floor, Tower B, and Car Park Units Nos. P81, P82, P83, P84, P85, P86, P87 and P88 on Level 6, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories	Commercial premises for rental	Long term lease	75.0%
Shop B, G/F, Nos. 23-33 Shui Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	51.3%

Location	Use	Tenure	Attributable interest of the Group
Shop G, 103 Hip Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	51.3%
G/F, 581 Nathan Road, Mongkok, Kowloon	Commercial premises for rental	Medium term lease	51.3%
G/F, Bowring Building, No. 14 Bowring Street, Kowloon	Commercial premises for rental	Medium term lease	51.3%
Shop A, G/F, No. 76B To Kwa Wan Road, Kowloon	Commercial premises for rental	Medium term lease	51.3%
Shop B, G/F, the Cockloft Yan Oi House, No. 237 Sha Tsui Road, No. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories	Commercial premises for rental	Long term lease	51.3%

PROPERTIES UNDER DEVELOPMENT

Location	Approximate site area (sq ft)	Estimated approximate gross floor area (sq ft)	Use	Estimated completion date	Stage of completion	Attributable interest of the Group
Nos. 575-575A, Nathan Road, Mong Kok, Kowloon	2,100	25,000	Commercial	2017	Construction in progress	75.0%
Hang Kwong Street, Ma On Shan (Shan Tin Town Lot No. 598)	33,000	115,000	Residential	2018	Construction in progress	45.0%
Ma Kam Street, Ma On Shan (Shan Tin Town Lot No. 599)	33,000	200,000	Residential	2018	Construction in progress	45.0%
Tai Po Road – Tai Wai (Sha Tin Town Lot No. 587)	71,000	148,000	Residential	2019	Construction in progress	75.0%
Nos.13 &15, Sze Shan Street, Yau Tong, Kowloon	41,000	272,000	Residential & Commercial	2020	Construction in progress	37.5%
Yiu Sha Road, Whitehead (Sha Tin Town Lot No. 601)	253,000	388,000	Residential	2020	Construction in progress	75.0%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**869,357**	916,947	1,500,023	1,686,606	807,971
PROFIT AFTER FINANCE COSTS	**379,356**	412,608	559,196	629,649	266,256
Share of profits and losses of:					
A joint venture	**10,101**	514	4,788	8,057	4,925
Associates	**(29,787)**	31,695	135,658	43,038	179,379
PROFIT BEFORE TAX	**359,670**	444,817	699,642	680,744	450,560
Income tax credit/(expense)	**17,599**	3,641	(111,629)	(87,535)	(41,026)
PROFIT FOR THE YEAR	**377,269**	448,458	588,013	593,209	409,534
Attributable to:					
Owners of the parent	**423,690**	449,077	588,188	593,521	409,536
Non-controlling interests	**(46,421)**	(619)	(175)	(312)	(2)
	377,269	448,458	588,013	593,209	409,534

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31 March				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**13,625,034**	7,044,469	7,345,186	5,788,783	5,712,640
TOTAL LIABILITIES	**(7,198,776)**	(2,488,502)	(3,154,754)	(1,876,576)	(2,144,644)
NON-CONTROLLING INTERESTS	**(1,813,278)**	1,303	22	(153)	(465)
	4,612,980	4,557,270	4,190,454	3,912,054	3,567,531