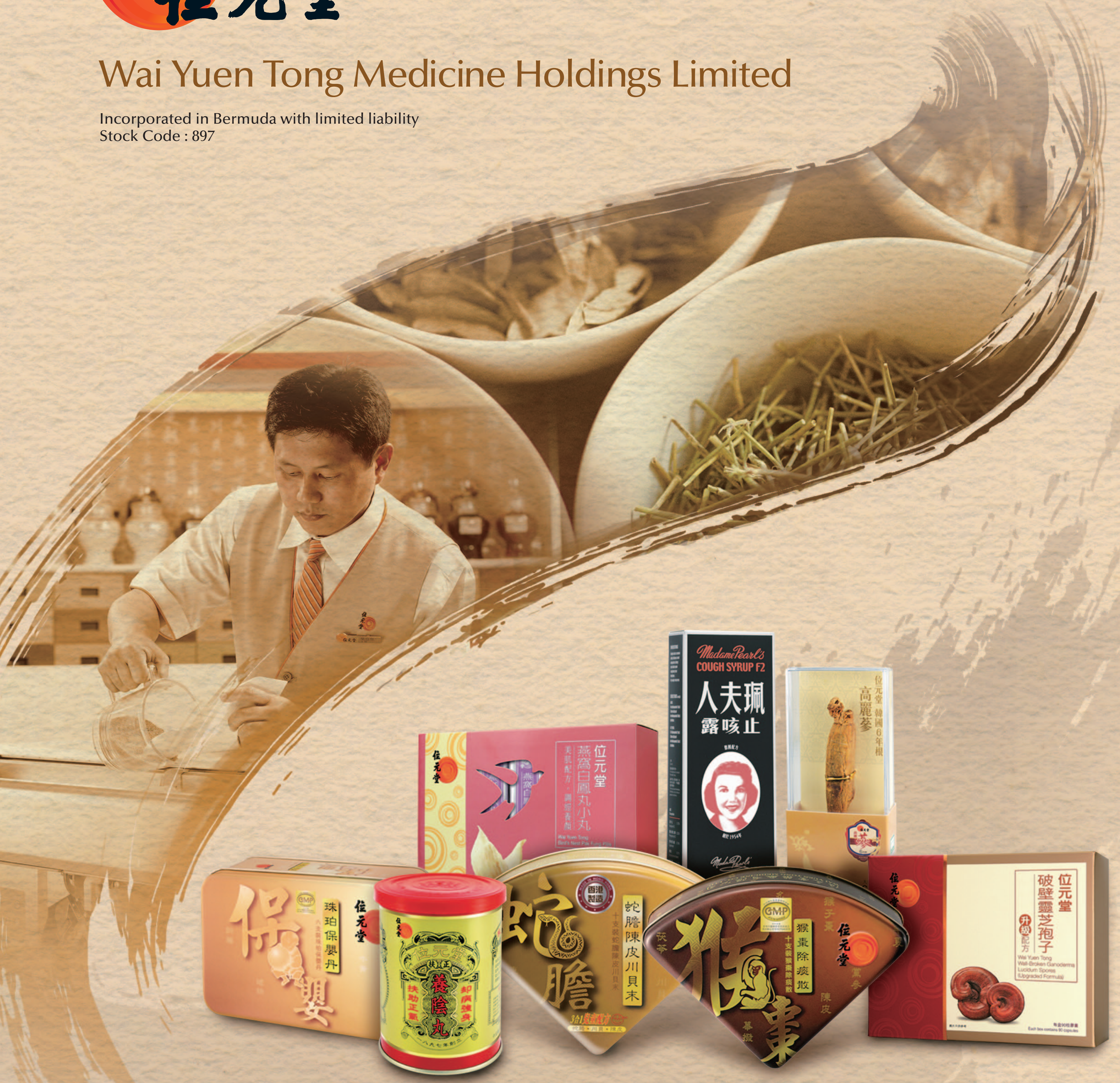
位元堂

Wai Yuen Tong Medicine Holdings Limited

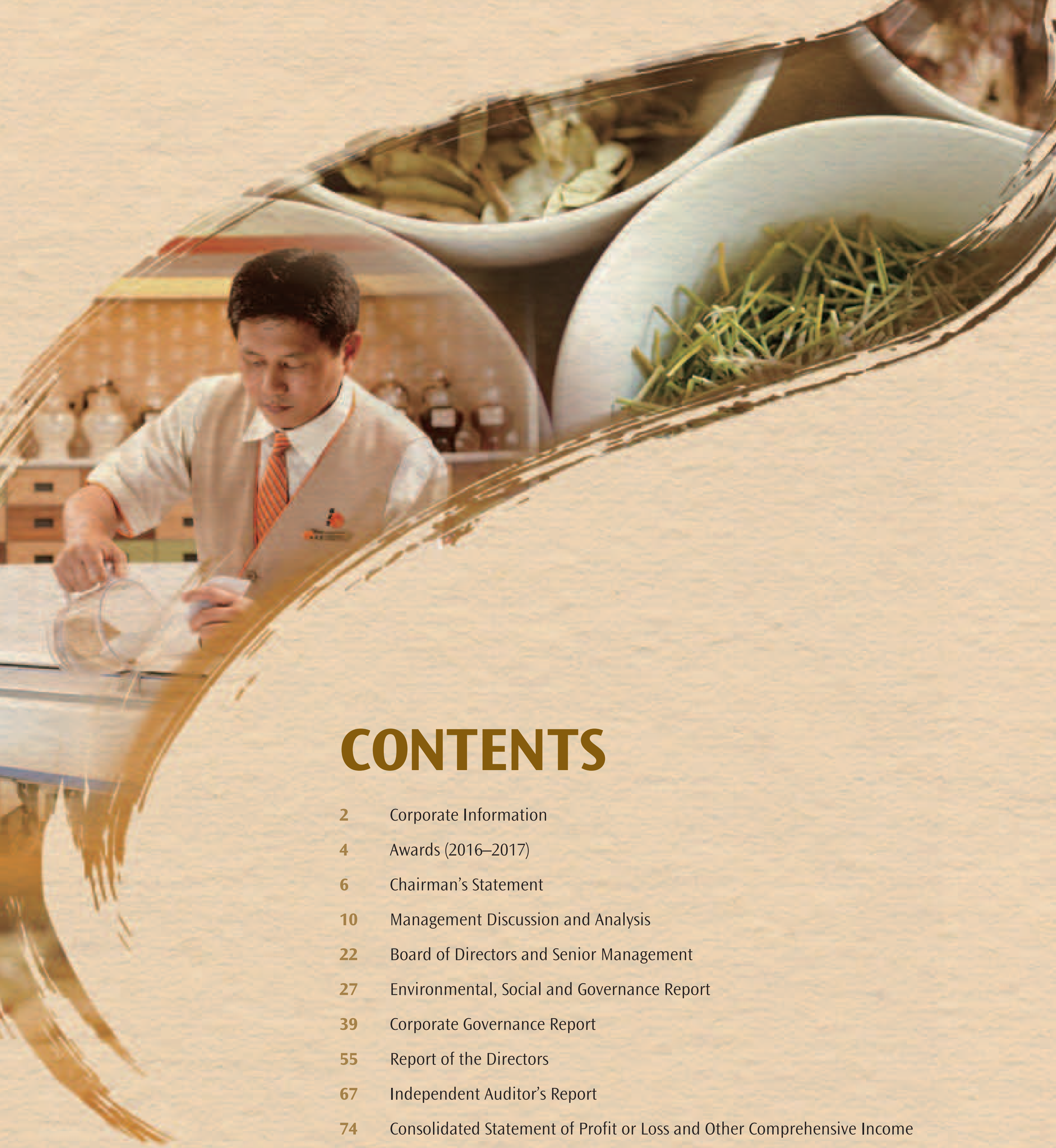
Incorporated in Bermuda with limited liability
Stock Code : 897



Preparing Medicine With Dedication
Growing Strong With Reputation

Annual Report 2017

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C127090



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS, JP, Chairman*
Mr. Chan Chun Hong, Thomas,
Managing Director
Ms. Tang Mui Fun

Independent Non-executive Directors

Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou
Mr. Li Ka Fai, David

AUDIT COMMITTEE

Mr. Li Ka Fai, David, *Chairman*
Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

REMUNERATION COMMITTEE

Mr. Siu Man Ho, Simon, *Chairman*
Mr. Leung Wai Ho, *MH*
Mr. Cho Wing Mou
Mr. Tang Ching Ho, *SBS, JP*
Mr. Chan Chun Hong, Thomas

NOMINATION COMMITTEE

Mr. Cho Wing Mou, *Chairman*
Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Tang Ching Ho, *SBS, JP*
Mr. Chan Chun Hong, Thomas

EXECUTIVE COMMITTEE

Mr. Tang Ching Ho, *SBS, JP, Chairman*
Mr. Chan Chun Hong, Thomas
Ms. Tang Mui Fun

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3101, 31/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 Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

BOARD LOT

5,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

HOMEPAGE

http://www.wyth.net

STOCK CODE

897

AWARDS (2016–2017)

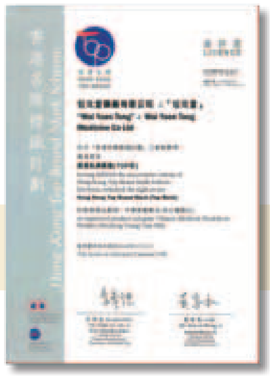
Wai Yuen Tong

Outstanding Chinese Medicine Enterprise 2016

Hong Kong Chinese Medicine Industry Association

Outstanding Import & Export Enterprise Awards "Corporate Achievement Award"

The Hong Kong Chinese Importers' & Exporters' Association



Hong Kong Top Brand 2017

Hong Kong Brand Development Council

5 Years Plus Caring Company

The Hong Kong Council of Social Service

Luxembourg Medicine

No. 1 selling of Pearl's MosquitOut Product Series for Consecutive 6 Years

Based in part on data reported by Nielsen through its ScanTrack Service for the Mosquito Repeller (for human skin) Category for 6 years from November 2010 to October 2016, for Key Account Chain Supermarkets, Chain Convenience Stores and Chain Drug stores in Hong Kong. (Copyright © 2017, The Nielsen Company)

Outstanding QTS Merchant Service Staff Award 2017

Quality Tourism Services Association (QTSA)

Wai Yuen Tong Hou Tsao Powder — No.1 selling in Hong Kong

Nielsen Cough Remedy (Hou Cho Powder Segment) MarketTrack Service data shows that Wai Yuen Tong ranked first in both sales value ('000HK$) and sales volume (ML/PC/GM/CC), in the Hou Cho Powder Segment of Cough Remedy Category for 4 consecutive years from June 2013 to May 2017, for ScanTrack Key Account. (Copyright©2017, The Nielsen Company)

Consumer Caring 2017

GS1 Hong Kong

10 Years Plus Caring Company

The Hong Kong Council of Social Service

CHAIRMAN'S STATEMENT

"The year 2017 marks the 120th anniversary of Wai Yuen Tong, a significant milestone for the Group. I hereby express my heartfelt gratitude to our people for their contributions."

Dear Shareholders,

YEAR IN REVIEW

In 2016, Hong Kong's retail market continued to be dampened by the decrease in the number visitors from the People's Republic of China (the "**PRC**") and experienced a weak overall consumption. According to the statistics of the Hong Kong Tourism Board, visitor arrival from the PRC in 2016 decreased by 6.7% comparing to 2015. Value index of retail sales compiled by the Census and Statistics Department also recorded a year-on-year decrease, resulting in a considerable impact on the business operation of Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**").

Coupled with the ongoing downturn of retail market, significant deterioration of results of Easy One Financial Group Limited ("**Easy One**"), an associate of the Company, and the increase in expenditure of the new factory in Yuen Long, the Group was inevitably influenced and posted a drop in revenue to approximately HK$738.4 million, though it developed a series of flexible operation mechanisms during the year.

As a renowned healthcare group specialising in both Chinese and Western medicines in Hong Kong, the Group owns the Chinese patent medicine brand "Wai Yuen Tong" and Luxembourg Medicine Company Limited ("**Luxembourg Medicine**") established in 1954. It is famed and recognised around the world with its products under the century-old Chinese medicine brand "Young Yum Pill" and the Western pharmaceutical brand "Madame Pearl's" with the unique formula. During the year, the Group reached new significant milestones for the development of Chinese medicine business in both Hong Kong and the PRC. In early 2017, the construction of the new GMP factory (the "**New Factory**") for separate Chinese medicines and western medicines in Yuen Long Industrial Estate has been completed and it has commenced operation. 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%. Meanwhile, in October 2016 and the first half of 2017, Wai Yuen Tong's new GMP factory was awarded the certificate of GMP for Proprietary Chinese Medicine from the Chinese Medicine Council of Hong Kong and the certification of European standard of "The Pharmaceutical Inspection Co-operation Scheme" (PIC/S), the most stringent manufacturing practice regulation with worldwide recognition, from the Therapeutic Goods Administration of Australia (TGA). With regard to "Luxembourg" new GMP factory, an application for the certification of PIC/S has been submitted to The Pharmacy and Poisons Board of Hong Kong and is expected to be approved in the second half of 2017. It certifies that the Group's products are "100% made in Hong Kong" and the quality satisfies international pharmaceutical manufacturing standard.

The operation of the new GMP factory for separate Chinese medicines and Western medicines has boosted the level of pharmaceutical manufacturing and quality control of the Group's products. Equipped with six production lines for Chinese medicines and three for Western medicines, it has added separate clean manufacturing units and introduced advanced equipment and inspection instruments for the production system of Chinese medicines and Western medicines to extract and concentrate Chinese medicines by scientific technology and manufacture "Young Yum Pill" and all types of Chinese patent medicines and health food products in a full automation process. In addition, the production line for "Angong Niuhuang Wan" and its new series of products will commence operation one by one in the second half of 2017. In the meantime, we will have our production of Luxembourg Western pharmaceutical products in the New Factory through a full automation process to ensure a consistent supply of quality products. As the factory is also equipped with state-of-the-art laboratory in microbiology and equipment with the pure water system conforming to the specifications of the "British Pharmacopoeia", the products comply with the Hospital Authority's medicine tenders requirement as well as the indicators of the prescription medicines by local doctors to expand the Group's product sales network.

CHAIRMAN'S STATEMENT

The Group operates retail stores, some of which provides complementary Traditional Chinese Medicine ("**TCM**") services, under the brand "Wai Yuen Tong" and has the largest Chinese medicine retail network in Hong Kong. Currently, there are over 60 shops in Hong Kong. The Group has renovated numerous "Wai Yuen Tong" retail stores to bring in elements of fashionable and modern design. Meanwhile, we expanded our product portfolio to include Chinese patent medicines and daily healthcare products in order to kick-start the "going out" initiative of the traditional brand of "Wai Yuen Tong" to expand into the PRC and the global market.

Furthermore, the factory (the "**Mainland Factory**") located in Pingshan, Shenzhen, 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. The Mainland Factory will concentrate on the production of Chinese herbal and can produce over 300 special Chinese herbals in different types and specifications upon operation. During the year, the Chinese medicine clinic in Jingtian, Shenzhen, the PRC was opened with internal diseases, acupuncture and manipulative therapy. With advanced electronic medical diagnosis and treatment facilities from Hong Kong, as well as the team of veteran Chinese medical practitioners and professional acupuncture and manipulative therapy specialists, the clinic provides comprehensive Chinese healthcare services. The Group continues to expand its Chinese herbal plantation base in the PRC to improve the quality management of raw materials in origin.

As "a century-old well-established brand and a Hong Kong brand", "Wai Yuen Tong" is built on our commitment to product quality and sincere customer services. A more important factor of success lies in the flexibility of our management in developing and introducing new products and services to keep up with the changes in market and customer consumption pattern to meet the customers' needs. In terms of sales and marketing, we continue exploring new sales channels and promotion approaches, which include a comprehensive use of social media for brand recognition enhancement as well as interaction with our customers. In February 2017, the Group launched a new mobile app for the provision of Chinese medical consultation appointment and decoction services in collaboration with a medical information search portal. The new service is introduced to cater the households' needs in metropolises. Currently, there are 16 retail shops under the Group providing such services.

In light of the rapid development of the "internet-based economy" in Mainland China, the Group intends to boost its exposure to customers in the mainland China market by ways of e-commerce and e-marketing. Through Tmall.com and Wai Yuen Tong's e-store platforms on our own website, customers in both mainland China and Hong Kong can now make purchases of our products via this much easier and convenient e-channel. This initiative also helps enhancing penetration into new markets of and efficiency in promoting our products, facilitating diversification of our customer base enriching the clientele mix.

The Group was able to generate remarkable earnings by optimising the utilisation of its real estate resources. During the year under review, the Group has leased out its property at Nathan Road to Chow Luk Fook Jewelry, a jewellery retail network operator from the mainland China, as its flagship store in Hong Kong. The transaction represented an opportunity for the Group to secure a source of sizeable recurring income in addition to our core business, and stable cash inflow to the Group.

As always, the Group had been fully committed to corporate social responsibility during the year. Much effort had been made to promote and motivate our employees to take part in a number of charitable outdoor sports activities that foster physical and mental health, including the 2016/2017 Hong Kong and Kowloon Walk for Millions by The Community Chest of Hong Kong, the Charity Walk 2016 by Po Leung Kuk, Race for Water 2017 by A Drop of Life. Participating in these charitable activities by our employees and their family members helped creating a congenial atmosphere and brought in a good team spirit. On the other hand, as a strong advocator in development of Chinese medicine, academic interaction and nurturing of professional talents, during the year, we set up Sun Yat-sen University Wai Yuen Tong Teachers/Staff Benevolent Fund and will donate an aggregate of RMB1.5 million to the University for the three-year partnership in a move to promote academic interaction and resources sharing between Hong Kong and mainland China.

OUTLOOK

Despite the lackluster Hong Kong retail sector, the combined effect of PRC tourists' mounting sentiment against Korea recently, tensions in the Korean Peninsula and Europe hovering on a series of terrorist attacks, it is expected more tourists will choose Hong Kong as their travel destination, which should directly benefit the Hong Kong retail market. According to statistics by the Census and Statistics Department, retail sales in Hong Kong in March 2017 recorded a year-on-year increase, demonstrating gradual improvements in the domestic retail market.

The Group endeavours to complement policies of the government to forge a closer partnership with the business sector and fully supports the enhanced regulations over Chinese medicines in the 2017 Policy Address issued by Hong Kong government as it helps the industry to explore new business opportunities. We believe that the PRC Central Government's introduction of the "White Paper: Traditional Chinese Medicine in China", "Healthy China 2030" Blueprint in 2016 and the implementation of "Law of the PRC on Traditional Chinese Medicine" in 2017 underline that the government has placed great emphasis on public health, which brings about new regulations and management system standardising of Chinese medicine in the PRC, and would facilitate the modernisation of the Chinese medicine industry. Led by the PRC's "Belt and Road" initiative, the Chinese medicine market in PRC will be increasingly accessible and the Group is determined to seize the opportunities, and will utilise and fortify the Group's competitive strengths to support the national long-term development policies of the PRC government.

The Group is committed to the recruitment of talents in the field of Chinese medicine and will attract experienced Chinese medicine practitioners and frontline staff to join us. Cooperation with academic institutes in the PRC will also be enhanced, such as the partnership agreement with the Nanjing University of Chinese Medicine. The Group expects a significant enhancement in product research upon the operation of the New Factory so that more high valued-added new products, including Angong Niuhuang Wan, Angong Jiangya Wan, and health supplements lowering the so-called "three highs" can be developed in response to the market demand of treating various urban diseases. We are also exploring the mainland market through online selling platforms, self-operated stores in the mainland and Chinese medicine clinic to lay down a solid foundation for global expansion. Looking forward, the Group will continue to explore appropriate merger and acquisition opportunities to diversify its current business portfolio.

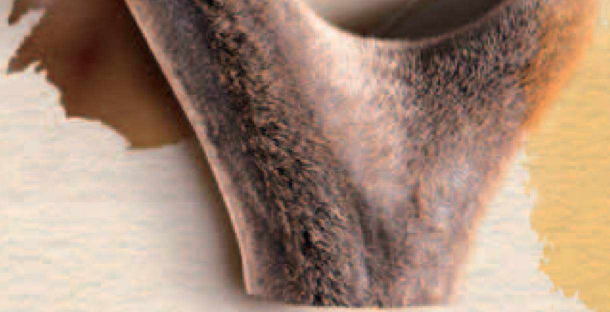
APPRECIATION

The year 2017 marks the 120th anniversary of "Wai Yuen Tong", a significant milestone for the Group. I hereby express my heartfelt gratitude to our people for their contributions and I extend my particular appreciation to the business partners and shareholders of the Company for their long-lasting support. I hope that by staying true to our original vision, our brand value of "Wai Yuen Tong" would be realised to its fullest extent, and we will continue to play an integral role and contribute to the protection of people's health under our mission, thereby enabling "Wai Yuen Tong" to shine in Hong Kong, China and even in the globe.

Tang Ching Ho
Chairman

Hong Kong, 21 June 2017

MANAGEMENT
DISCUSSION AND ANALYSIS



"As 'a century-old well-established brand and a Hong Kong brand', we will continue to develop its core business and take up the challenges with flexibility, innovative ideas and operational mechanisms."

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2017, the Group's turnover dropped by approximately 10.53% to approximately HK$738.4 million (2016: approximately HK$825.3 million). The Group recorded a loss attributable to owners of the parent amounting to approximately HK$93.3 million (2016: a profit attributable to owners of the parent amounted to approximately HK$25.4 million). The deteriorating results was mainly attributable to the unrealised loss in fair value of equity investments at fair value through profit or loss of the Group, the drop in turnover, and share of results in Easy One, an associate of the Company, which had reported a significant loss during the year.

DIVIDENDS

The board of directors of the Company (the "**Board**" or the "**Directors**") does not recommend the payment of a final dividend in respect of the year ended 31 March 2017 (2016: Nil). No interim dividend was made for the six months ended 30 September 2016 (30 September 2015: Nil).

BUSINESS REVIEW

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the current year has decreased by approximately 10.93% from the previous year to approximately HK$578.3 million.

Hong Kong market is the major market of the Group's Chinese pharmaceutical and health food products, of which sluggish operating environment persisted in the current year. The retail market in Hong Kong had been affected by the lowered number of mainland visitors, which led to a drop in sales revenue of the retail business of the Group. During the current year, there is a slight decrease in our gross profit margin as a result of constantly improving sales mix and stringent cost control. As the Group continued to widen distribution network of the products, sales channels including key accounts achieved a mild growth during the current year. In respect of market presence, the online shopping platform developed by the Group has brought much convenience to the consumers, while enhancing the effectiveness of the marketing of products. E-commerce sales channels started to generate revenue during the year.

During the current year, the Group continued strictly adhering to the comprehensive quality assurance procedures. In the beginning of 2017, the construction of the Group's New Factory for Western pharmaceutical and Chinese traditional medicines in Yuen Long Industrial Estate was completed and it has commenced production. The new facility served to complement the Group's plan on production commissioning and operation, its effort on continued beefing up of the research and development capacity, its pursuit on innovation, meeting market demand and trend and expanding product variety. The brand "Wai Yuen Tong", with its inexpensive and high-quality pharmaceutical and health food products, has taken the leading position in the industry and has been well recognised by the market for years.

Under China Thirteenth Five-Year Plan, traditional Chinese medicine was promoted to a national strategic industry status. The Group will actively act in accordance with the government policies in Hong Kong and the PRC to facilitate and stimulate business development. We expect that the Mainland Factory could obtain Good Manufacturing Practice ("**GMP**") certification from the State Food and Drug Administration in the second half of 2017. The main products from the Mainland Factory are Chinese medicine crude slices. Upon its commissioning, the production capacity and variety of our Chinese medicinal products could be expanded.

(2) Western Pharmaceutical and Health Food Products

Turnover for the current year decreased slightly by approximately 8.3% to approximately HK$149.9 million compared to last year.

Amid the economic downturn of Hong Kong, with the Group's quality products, we managed to record a growth in the retail sales in Hong Kong, yet that in the mainland China recorded a weaker sales figure. Coping with the intense market competition in the mainland China, the Group implemented proactive marketing expansion strategies focusing on the mainland market. We strived to reinforce our brand recognition in the mainland and increase market share by offering discounts in prices as promotion for the Group's products, as a result we recorded a decrease in gross profit margin. The Group's famous "Pearl's" MosquitOut products are leading brand of the category in Hong Kong, and had exhibited steady growth in sales during the current year. Products under "MP-Professional" brand like Madame Pearl's Breath Easy patches had shown a steady growth. However, cough syrup products under our "Madame Pearl's" brand posted a decrease in turnover.

In addition to our marketing strategies to consolidate the mainland market, the Group will continue our relentless research effort and product development, with the aim to enrich our product variety to meet the market demand. In the meantime, the Group will strive to intensify our product penetration into the market through enhanced advertisement and promotion activities and exploration of sales channels, such as institutional sales to hospitals, to boost our sales revenue.

(3) Property Investment

On 25 November 2015, the Group entered into a provisional sale and purchase agreement for the sale of a property located in Sheung Shui, Hong Kong for a consideration of HK$88.0 million. The disposal was completed on 31 May 2016 and a gain on disposal of approximately HK$65.7 million was recorded in this regard. Details of the transaction were set out in the Company's announcement dated 26 November 2015.

During the current year, the Group owned twelve properties which are all retail premises. Some of these properties were leased out for commercial purpose whereas some were used as our retail shops. During the current year, the net fair value losses on investment properties of the Group amounted to HK$31.8 million. Despite the downward adjustment in the valuation of the properties during the year, the Company is confident in the long-term prospect of commercial properties in Hong Kong and considers that our investment property portfolio can provide stability to and strengthen the Group's income base in the long run.

(4) Investment in Easy One

Easy One, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), is principally engaged in the businesses of property development in the PRC, provision of finance and securities brokerage services in Hong Kong.

During the current year, there has been no change in the Group's shareholding in Easy One. As at 31 March 2017, the Group held 132,418,625 shares, representing approximately 28.51% of the issued shares of Easy One.

The Group's share of loss of Easy One amounted to approximately HK$47.7 million for the current year (2016: share of profit amounted to approximately HK$77.9 million).

No impairment on the investment in Easy One was recognised by the Group during the current year (2016: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in Easy One.

During the current year, the Group granted a loan facility to Easy One of not exceeding HK$100.0 million for a term of 24 months at an interest rate of 6.5% per annum, details of which were set out in the Company's announcement dated 5 October 2016. As at the date of this report, HK$100.0 million had been drawn down by Easy One.

(5) Investment in China Agri-Products Exchange Limited ("**CAP**")

CAP, a company listed on the Main Board of the Stock Exchange, is principally engaged in the management and sales of properties in agricultural produce exchange markets in the PRC.

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed an unlisted 5-year bond due November 2019 with coupon rate of 10.0% per annum issued by CAP with an outstanding principal amount of HK$720 million on 28 November 2014 (the "**First CAP Bond**").

In addition, pursuant to the sale and purchase agreement dated 5 July 2016 (as supplemented on 8 July 2016), the Group acquired bonds issued by CAP with an outstanding principal amount of HK$200 million (the "**Second CAP Bond**", together with the First CAP Bond, the "**CAP Bonds**") from Double Leads Investments Limited ("**Double Leads**"), a subsidiary of Wang On Group Limited ("**Wang On**"), a controlling shareholder and the ultimate holding company of the Company whose shares are listed on the Main Board of the Stock Exchange.

As at 31 March 2017, the Group held a principal amount of HK$920.0 million (2016: HK$720 million) of CAP Bonds and the fair value of the CAP Bonds held by the Group amounted to approximately HK$912.1 million (2016: approximately HK$671.5 million).

(6) Equity Investments at Fair Value through Profit or Loss

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded a net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK$47.5 million for the current year (2016: a net gain of approximately HK$3.1 million).

(7) Commissioning of the New Factory in Yuen Long

The Group had obtained the permission to construct the New Factory, a state-of-the-art factory in Yuen Long Industrial Estate to manufacture both Chinese traditional medicines and Western pharmaceutical, which certifies that our products are "100% made in Hong Kong" and attain international product quality standard. The construction of the New Factory was completed early this year in alignment with the Group's plan of commissioning the production and operation of the New Factory in early 2017. Upon the commissioning of the New Factory, both our overall production capacity and level of product quality control has been enhanced significantly. Meanwhile, in October 2016 and the first half of 2017, Wai Yuen Tong's new GMP factory was awarded the certificate of GMP for Proprietary Chinese Medicine from the Chinese Medicine Council of Hong Kong and the certification for of European standard of "The Pharmaceutical Inspection Co-operation Scheme" (PIC/S), the most stringent manufacturing practice regulation with worldwide recognition, from the Therapeutic Goods Administration of Australia (TGA). With regard to "Luxembourg" new GMP factory, an application for the certification of PIC/S has been submitted to The Pharmacy and Poisons Board of Hong Kong and is expected to be approved in the second half of 2017. It certifies that the Group's products are "100% made in Hong Kong" and the quality satisfies international pharmaceutical manufacturing standard. The New Factory has six Chinese medicine production lines and three Western pharmaceutical production lines, which has added separate clean manufacturing units and introduced advanced equipment and inspection instruments for the production system of Chinese medicines and Western medicines to extract and concentrate Chinese medicines by scientific technology and manufacture "Young Yum Pill" and all types of Chinese patent medicines and health food products in a full automation process. In the meantime, we will have our production of Luxembourg Western pharmaceutical products in the New Factory through a full automation process. The Factory is also equipped with state- of-the-art laboratory in microbiology and laboratory equipment. With the pure water system conforming to the specifications in the British Pharmacopoeia, the products will be in compliance with the Hospital Authority's medicine tenders requirement as well as the indicators of the prescription medicines by local doctors.

(8) Acquisition of a Factory Building and Two Dormitory Buildings in the PRC

To expand the Group's manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited (the "**Vendor**"), a third party independent of and not connected with the Company and its connected persons, for the acquisition of the Mainland Factory comprising a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK$81.3 million. Completion of the acquisition had been extended from 16 October 2015 to 30 June 2017, details of which were set out in the Company's announcements dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016, 27 April 2016, 27 July 2016 and 30 December 2016, respectively.

FINANCIAL REVIEW

Fund Raising

On 29 September 2016, the Company completed a rights issue on the basis of 3 rights shares for every 1 existing share held by qualifying shareholders at an issue price of HK$0.43 per rights share and a total of 948,857,166 rights shares were issued (the "**Rights Issue**"). The net proceeds from the Rights Issue amounted to approximately HK$400.7 million, of which the Group intended to utilise (i) approximately HK$50.0 million for the payment of installation of facilities and equipment for the Group's factory in the PRC; (ii) approximately HK$200.0 million for the acquisition of the HK$200.0 million CAP Bond from Double Leads; (iii) approximately HK$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and (iv) the remaining balance of approximately HK$100.7 million for general working capital of the Group.

As at 31 March 2017, approximately HK$200.0 million were utilised for the acquisition of the HK$200.0 million CAP Bond. The balance of the net proceeds of the Rights Issue was being held as bank deposits and would be utilised as intended.

Liquidity and Gearing and Financial Resources

As at 31 March 2017, the Group had total assets of approximately HK$3,573.3 million (2016: approximately HK$3,237.5 million) which were financed by current liabilities of approximately HK$212.6 million (2016: approximately HK$320.8 million), non-current liabilities of approximately HK$702.9 million (2016: approximately HK$587.1 million) and shareholders' equity of approximately HK$2,657.7 million (2016: approximately HK$2,329.6 million).

As at 31 March 2017, the Group's bank balances and cash were approximately HK$323.7 million (2016: approximately HK$205.6 million). As at 31 March 2017, the Group's total bank borrowings amounted to approximately HK$759.3 million (2016: approximately HK$738.7 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 31 March 2017, the maturity profile of all bank borrowings based on the scheduled repayment dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2016:

	2017 **HK$'000**	2016 HK$'000
Bank loans repayable:		
Within one year	**62,290**	130,040
In the second year	**34,790**	154,522
In the third to fifth years, inclusive	**139,370**	331,638
Beyond five years	**522,857**	122,486
	759,307	738,686

The Group maintained a healthy liquidity position. The current ratio, being a ratio of current assets to current liabilities, was approximately 4.1 (2016: approximately 2.6). The gearing ratio, being the ratio of total borrowings net of bank balances and cash to equity attributable to owners of the parent, was approximately 16.4% (2016: approximately 23.0%). The Group always adopts a conservative approach in its financial management.

Significant Investments Held

As at 31 March 2017, the Group had available-for-sale investment of approximately HK$912.1 million and equity investments at fair value through profit or loss of approximately HK$150.3 million, details of which were set out as follows:

Nature of investments	Number of shares held ‘000	As at 31 March 2017 Amount/ units held HK$'000	Percentage of shareholding in such stock %	Percentage to the Group's total assets %	For the year ended 31 March 2017 Addition/ (Disposal) HK$'000	Change in fair value HK$'000	Imputed interest income HK$'000	Interests/ Dividends received HK$'000	Fair value/carrying amount As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000	Investment cost HK$'000
Available- for-sale investment (unlisted securities debenture):											
CAP — 10% 5-year Bonds ("**2019 Bonds**")	–	912,093	–	25.526%	200,000	37,204	3,368	81,979	912,093	671,521	920,000
Equity investments at fair value through profit or loss:											
A. Listed Investments											
Kingston Financial Group Limited ("Kingston")	12,336	31,210	0.09%	0.873%	–	(14,310)	–	247	31,210	45,520	9,413
Jun Yang Solar Power Investments Ltd ("Jun Yang")	1,333	172	0.05%	0.005%	–	(254)	–	–	172	426	9,705
Town Health International Investment Limited ("Town Health")	52,500	65,100	0.68%	1.821%	–	(11,550)	–	514	65,100	76,650	16,434
Sino Harbour Property Group Ltd ("Sino Harbour")	36,000	18,360	1.46%	0.514%	–	(9,900)	–	–	18,360	28,260	20,049
Wang On	423,000	29,610	2.19%	0.829%	–	(10,998)	–	2,538	29,610	40,608	16,819
B. Mutual Funds											
Emerging Market Bond Fund	33	540	–	0.015%	–	46	–	–	540	494	519
China Growth Fund	13	135	–	0.004%	–	25	–	–	135	110	130
Asian Equity Plus Fund	20	246	–	0.007%	–	14	–	–	246	232	212
ASEAN Frontiers Fund	21	234	–	0.007%	–	13	–	–	234	221	212
USD Money Fund	57	558	–	0.015%	–	19	–	–	558	539	541
Opus Mezzanine Fund 1 LP		4,138	–	0.116%	–	123	–	–	4,138	4,015	3,900
		150,303		4.206%	–	(46,772)	–	3,299	150,303	197,075	77,934

The principal activities of the listed securities are as follows:

1. **Kingston Financial Group Limited ("*Kingston*")**

   Kingston is principally engaged in the provision of a wide range of financial services which include securities underwriting and placements, margin and initial public offering financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services. Kingston also provides gaming and hospitality services in Macau.

2. **Jun Yang Solar Power Investments Ltd ("*Jun Yang*")**

   Jun Yang is principally engaged in financial services business, solar energy business with a current focus on development, construction, operation and maintenance of power station projects, money lending business and asset investment business.

3. **Town Health International Medical Group Limited ("*Town Health*")**

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

4. **Sino Harbour Property Group Ltd ("*Sino Harbour*")**

   Sino Harbour is principally engaged in the property development business with a focus on residential properties in Jiangxi Province, the PRC.

5. **Wang On**

   Wang On is principally engaged in 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 in Hong Kong and the PRC.

The Group also invested in certain other mutual funds including an emerging market bond fund, a China-focused growth fund, an Asian equity "plus" fund and an US dollar currency fund.

Financial Review and Prospect of Significant Investments Held

Available-for-sale investment

As at 31 March 2017, the Group held the CAP Bonds in the principal amount of HK$920.0 million (2016: HK$720.0 million). As at 31 March 2017, the fair value of the CAP Bonds amounted to approximately HK$912.1 million (2016: approximately HK$671.5 million). The CAP Bonds had provided a reasonable and stable cash income stream to the Group and the Group intended to hold it to maturity.

Equity investments at fair value through profit or loss

With a view to optimise its use of cash resources, the Group invested in various listed equity securities and mutual funds for trading purposes with prudence and in a cautious manner. As at 31 March 2017, the Group maintained an investment portfolio of listed equity securities in Hong Kong and mutual funds. The Group had recorded a net loss on change in fair value of equity investments through profit or loss of approximately HK$47.5 million for the year under review (2016: a net gain of approximately HK$3.1 million). The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

Foreign Exchange

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

RELATIONSHIP WITH EMPLOYEES AND STAKEHOLDERS

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 March 2017, the Group had 947 (2016: 778) employees, of whom approximately 57.2% (2016: 75.0%) 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 performance as well as the individual's performance. Other benefits such as medical and retirement benefits and structured training programs are also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

Besides, the Group understands that it is important to maintain good relationship with the stakeholders, including business partners, suppliers, customers, shareholders, investors and bankers to achieve its long term business growth and development. With an aim to enhancing the competitiveness of the brands of the Group, it endeavours to provide consistently high quality and large range of products to its customers; and to build up and maintain a trustworthy and long-term relationship with its suppliers. Furthermore, the Group has formulated corresponding schemes about investor relationship with its shareholders and investors.

Capital Commitment

As at 31 March 2017, the Group had capital commitment of approximately HK$11.0 million (2016: approximately HK$57.9 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

Pledge of Assets

As at 31 March 2017, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of approximately HK$634.6 million (2016: approximately HK$619.5 million).

Contingent Liabilities

As at 31 March 2017, the Group had no material contingent liabilities (2016: Nil).

CORPORATE SOCIAL RESPONSIBILITY

The Group endeavours to promote business development and strive for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. The details of the Group's corporate social responsibility and activities during the year under review are set out in the section under "Environmental, Social and Governance Report" of this report.

PRINCIPLE RISKS AND UNCERTAINTIES

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

(i) industrial policy risk: with the deepening of medical system reform and the issuance of a number of industrial policies and laws in respect of medical charge control and control of medicines and certification for Traditional Chinese Medicine significant effect may be brought to the future development of the pharmaceutical industry;

(ii) low growth of customer base: due to the decrease in the number of mainland tourists and Hong Kong economy recession this year;

(iii) environmental protection policies: environmental impact, efficiency and security of key infrastructure;

(iv) cost control;

(v) impairment of inventory: impairment value of inventory due to weather, expiry date and other damages;

(vi) supply chain disruption: due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings;

(vii) inability to penetrate emerging markets: with potential difficulties to effectively penetrate traditional industries and traditional products into emerging markets;

(viii) respond to customer behaviour: economy recession, consumers reduced consumption, reduction in consumer spendings and change of impulsive shopping behavior;

(ix) sourcing: less globalised sourcing, the impact on the relative competitiveness of costs;

(x) volatility in retail rental: continue increasing in retail rental; and

(xi) foreign exchange: fluctuations in the exchange rate affecting the Group's cashflow and profits.

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

PROSPECTS

Despite the lackluster Hong Kong retail sector with a gloomy outlook due to the combined effect of PRC tourists' mounting sentiment against Korea recently and tensions in the Korean Peninsula and the Europe clouded with repeated terrorist attacks, it is expected that some of the tourists will choose Hong Kong as their travel destination, which directly benefiting Hong Kong retail industry. According to the statistics published by the Census and Statistics Department, retail sales in Hong Kong in March 2017 increased from the same period last year, demonstrating gradual improvements in the retail market. Meanwhile, government policies of mainland China and Hong Kong have emphasised public health. These new policies bring about new regulations and management systems standardising Chinese medicine provide a driving force for the Chinese medicine industry to prosper, enable us to move towards modernisation as well as promote Chinese medicine to the world. Led by the PRC's "Belt and Road" initiative, the progressive growth of Chinese medicine market in the mainland China will provide abundant opportunities for the Group.

The Group will continue to adhere to its strict product quality control and maintain sincere customer services at its highest quality to deal with the challenges ahead. A more important factor of our success lies in the flexibility of our management in developing and introducing new products and services to keep up with the changes in the market and customer consumption pattern, and to enhance our product diversity and further expand our customer base. In terms of marketing, the management would continue exploring new sales channels and promotion approaches, which may include a comprehensive use of social media for brand recognition enhancement as well as better interaction with our customers.

In the beginning of the year 2017, the New Factory has been put into operation resulting in significantly enhanced production capacity and product research capability. The Group can develop high value-added new products, such as Angong Niuhuang Wan and Angong Jiangya Wan, and also health supplements on lowering the so-called "three highs" in response to the market demand with an aim to treat various urban diseases. We have also deepened our expansion into the mainland market through online selling platform, self-operated stores and Chinese medicine clinic.

The Group will continue to explore suitable merger and acquisition opportunities to diversify its current business portfolio, which not only would promote long term capital appreciation but also increase the Group's source of revenue. In addition, the Group will continue to optimise and adjust its retail store network in Hong Kong and mainland China to further enhance the operational cost-effectiveness.

As "a century-old well-established brand and a Hong Kong brand", "Wai Yuen Tong" will continue to develop its core business and take up the challenges with flexibility, innovative ideas and operational mechanisms, in order to provide our customers in both the mainland and Hong Kong, and even from all around the world, with quality products and services.

BOARD OF DIRECTORS AND 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.”

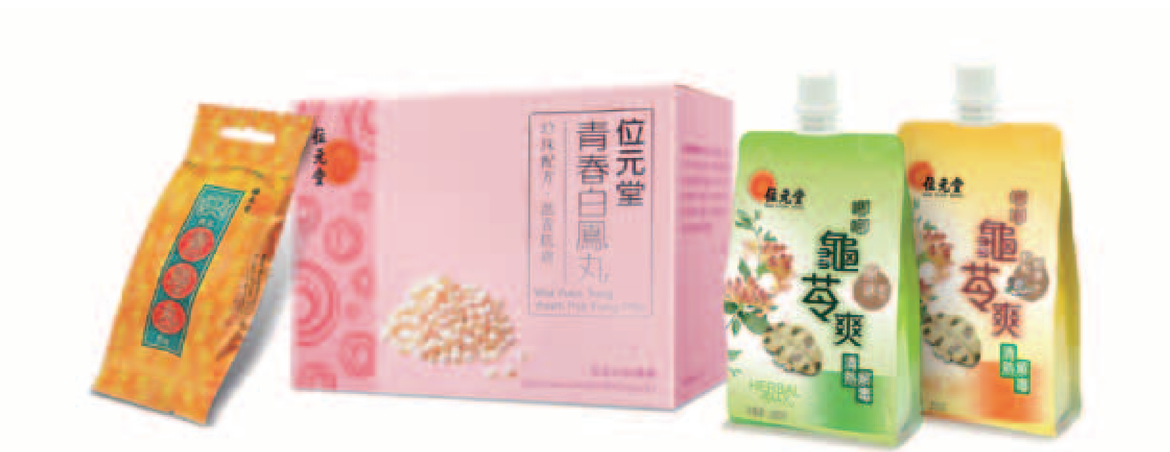
BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS, JP*, aged 55, was appointed as the Chairman of the Company in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination 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 Wang On. 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 brother of Ms. Tang Mui Fun, an executive Director.

Mr. Chan Chun Hong, Thomas, aged 53, was appointed as the Managing Director in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination committee and the executive committee of the Company. He is responsible for managing the corporate matters and overall management and supervision of the Group. He is also the managing director of Wang On, the non-executive chairman of Wang On Properties Limited ("**WOP**") (Stock Code: 1243), the chairman and managing director of Easy One, the chairman and chief executive officer of CAP, all companies are listed on the Main Board of the Stock Exchange. Mr. Chan resigned as an independent non-executive director of Shanghai Prime Machinery Company Limited with effect from 27 June 2014. He graduated from the Hong Kong Polytechnic University with a 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.

Ms. Tang Mui Fun, aged 46, joined the Group in 2003 and was appointed as the Executive Director in September 2007. Ms. Tang is a member of the executive committee of the Company and acts as directors of certain subsidiaries of the Group. She is responsible for the overall strategic planning and development and policy making for the core business of the 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.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Ho, *MH*, aged 67, was re-designated as an Independent Non-executive Director in April 2006 from a non-executive Director and he joined the Group in 1994. Mr. Leung is a member of the audit committee, the remuneration committee and the nomination committee of the Company. He has more than 51 years and 21 years of experiences in the watch industry and financial industry respectively. He is a member of the 11th plenary session of the National Committee of the CPPCC, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, the Honorary President of the Hong Kong Chamber of Commerce in China — Guangdong and the Chartered President of the Dongguan City Association of Enterprises with Foreign Investment. Mr. Leung is also appointed as a candidate of 2016 Election Committee of HKSAR Chief Executive, Subsector — CPPCC.

Mr. Siu Man Ho, Simon, aged 43, joined the Company as an Independent Non-executive Director in August 2001. 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. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of a law firm, namely Sit, Fung, Kwong & Shum, and a China-Appointed Attesting Officer. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters. Mr. Siu is also an independent non-executive director of each of Brilliant Circle Holdings International Limited (stock code: 1008) and Weiye Holdings Limited (stock code: 1570), both of which are listed on the Main Board of the Stock Exchange. Mr. Siu was appointed as the independent non-executive director of Jiashili Group Limited (stock code: 1285) with effect from 12 June 2015 and resigned from the position on 1 December 2015.

Mr. Cho Wing Mou, aged 76, joined the Company as an Independent Non-executive Director in September 2001. He is a member of the audit committee and the remuneration committee of the Company and the chairman of the nomination committee of the Company. Mr. Cho was formerly a director and deputy general manager of Hua Chiao Commercial Bank Limited and a deputy general manager of The China State Bank Limited. He was a committee member of the 8th Political Consultative Conference Guangxi and is also a committee member of the 4th plenary session of the Guangxi Yulin Committee of the CPPCC, Life Chairman of Hong Kong Guangxi Yulin Friendship Association and Life Chairman of Gee Tuck General Association Hong Kong Limited.

Mr. Li Ka Fai, David, aged 62, joined the Company as an Independent Non-executive Director on 17 March 2015. He is the chairman of the audit committee of the Company. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, U.K., The Institute of Chartered Secretaries and Administrators, U.K., as well as The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited (stock code: 563). Mr. Li is also an independent non-executive director, the chairman of the audit committee, member of the nomination committee and member of the remuneration committee of China-Hongkong Photo Products Holdings Limited (stock code: 1123), Cosmopolitan International Holdings Limited (stock code: 120) and Goldlion Holdings Limited (stock code: 533), an independent non-executive director, member of the audit committee, member of the nomination committee and the chairman of the remuneration committee of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (stock code: 144), and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232), all of such companies are being listed in Hong Kong.

SENIOR MANAGEMENT

Ms. Tang Wai Man joined the Group in January 2016 and currently is the Senior Business Development Manager of the Group. She is responsible for sales and marketing, channel sales and retail operation in Hong Kong, Macau and the Mainland China of the Group. She graduated from University of Edinburgh, UK with a Master of Arts with Honors in Business Studies. Prior to joining the Group, she has worked for Wang On Group companies since July 2014 as an assistant to Wang On Group's chairman and had other experience in Financial Analysis, Sales and Marketing and Business Development in a number of corporate bodies in Hong Kong and the United Kingdom. She is the daughter of Mr. Tang Ching Ho, the Chairman of the Company.

Mr. Tse Tin Nam, Raymond joined the Group in January 2016 as the Director (Sales and Marketing) of Wai Yuen Tong Medicine Company Limited ("**WYT Medicine**") . Mr. Tse is responsible for overall strategically planning for Chinese pharmaceutical business development, sales and marketing and business model re-engineering of the Group. He graduated from the University of Wisconsin, U.S.A. with over 35 years of extensive experience in fast moving consumer goods, commodities and personal care product marketing, sales distribution, building business infrastructure to facilitate continuous business growth in Greater China, Asean and North Asia Pacific region. Prior to joining the Group, he worked for several renowned enterprises with proven track records in successful setting up of tax preferential procurement and distribution centre in Malaysia and WOFE contractual joint ventures, legal billing and administration entity in the mainland China to support macro business expansion in an vertical integrated sales distribution business processes.

Mr. Lung Chi Ho, Markus is currently the Director (Technical) of both WYT Medicine and Luxembourg Medicine Group, principal subsidiaries of the Group. He is responsible for technical operations of the Group including quality control, quality assurance, production, research and development, engineering, warehouse and logistic issues. Prior to joining the Group in August 2014, he has more than 20 years of experience in key management in local GMP pharmaceutical industries of Western medicine and Chinese medicine. He graduated from The Chinese University of Hong Kong with a bachelor degree in Pharmacy and also obtained a bachelor degree in Pharmacy in Chinese Medicines at the University of Hong Kong. He is now being in-charge of supervising and management of construction of new pharmaceutical manufacturing plants of WYT Medicine & Luxembourg Medicine Group with PIC/S GMP standard and the overall operations of the plants. He has been a registered Pharmacist of The Pharmacy and Poisons Board of Hong Kong since July 1997 and a registered authorised person with the board since 2009.

Mr. Chan Kwok Ming re-joined the Group in March 2016 and is currently holding the position as the General Manager of WYT Medicine and is responsible for the overall sales and marketing, channel sales and retail operation functions both in Hong Kong and Macau. Mr. Chan graduated from the Hong Kong Polytechnic University and further obtained the Master Degree in Business Administration from the University of Santa Barbara. Mr. Chan has broad experiences in retail management, business development and strategic planning in various industries and FMCG businesses for over 25 years. Prior to joining WYT Medicine, Mr. Chan has extensive marketing and retail initiatives in the Greater China region with illustrious achievements.

Mr. Chan Kwok Lap, Rico joined the Group in January 2016 as the General Manager-China of WYT Medicine and responsible for strategic planning, business development, retail operations, marketing, day-to-day leadership and management of the company. Prior to joining the Group, he has over 15 years of experience in retail and fast moving consumer goods. He graduated from Wakefield University with a bachelor degree in business Administration and also obtained a MBA at the Columbia Southern University. He is a member of Certified Management Accountants, Australia.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Mo Chiu, Chris joined the Group in 2003. He is the General Manager (China) of Luxembourg Medicine. He holds a Master Degree in Management (Logistics & Operations Management) from Macquarie University, Australia and a Bachelor Degree in Business Administration in RMIT University, Australia respectively. Mr. Pang had over 23 years of experience in retail operation and sales management in both Hong Kong and the PRC.

Mr. Wong Yiu Tat, Stephen joined Wang On Group in November 2016 in the capacity of General Manager, Business Analysis and Control, and he took up the role of Financial Controller for the Group in May 2017. Mr. Wong is a fellow member of The Institute of Chartered Accountants of England and Wales, The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Apart, he is an associate member of Chartered Institute of Legal Executives of UK and Chartered Institute of Securities and Investments. Prior to joining Wang On Group, Mr. Wong has about 25 years' experiences in financial management and statutory compliance, financial and business processes advisory services for blue chips multinational companies, Hong Kong listed companies and public sectors. He holds Bachelor honoured degrees in Law, and Accounting and Finance, and a Master degree in Business Administration from UK universities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"As one of the leading Chinese medicine manufacturers in Hong Kong, we are committed to minimising the environmental impacts of our business through building a sustainable manufacturing process."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the first "Environmental, Social and Governance ("**ESG**") Report" issued by the Company. It has been 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 (the "**Listing Rules**").

The purpose of this report is to enhance stakeholders' understanding of the Group's ESG approach in its obligations to the society and the environment where we operate. The Board acknowledges its responsibility for ensuring the integrity of this report and to the best of its knowledge this report addresses material issues and fairly presents the ESG related initiatives undertaken by the Group. The Board confirms that it has reviewed and approved this report.

REPORTING PERIOD AND SCOPE

The scope of this report includes Wai Yuen Tong Medicine Holdings Limited and its subsidiaries. The report covers the Group's fiscal year from 1 April 2016 to 31 March 2017.

FEEDBACK

Your feedback regarding the content provided in this report is valuable and shall help us improve our future reporting. Please direct your feedback and comments to:

Suite 3101, 31/F., Skyline Tower,
39 Wang Kwong Road, Kowloon Bay
Kowloon, Hong Kong
Tel: (852) 3526 6700
Fax: (852) 2727 8911
E-mail: contact@waiyuentong.com

ESG MANAGEMENT APPROACH

Inheriting the wisdom of medicine making of 120 years, "Wai Yuen Tong" has transformed itself from a Traditional Chinese Medicine ("**TCM**") manufacturer to an integrated healthcare group, pursuing long-term sustainable growth. With more than 60 TCM retail stores in Hong Kong and markets its medicinal and healthcare products in Mainland China, North America, Britain, Australia, Japan, Korea, Cambodia, Malaysia, Indonesia and other countries and territories in Southeast Asia, the Group recognises the growing importance of addressing sustainability issues including but not limited environmental impact of our facilities, work safety, product quality, etc. Committed to gradually integrating ESG considerations into our daily operations, our managing Director leads the management of ESG, supported by the respective department heads.

It is the Group's commitment to providing highest standards for its herbs and products to its customers. Our production plants in Hong Kong has obtained the Good Manufacturing Practices ("**GMP**") certification in respect of proprietary Chinese medicines issued by the Chinese Medicine Council of Hong Kong and the PIC/S Guide to Good Manufacturing Practice for Medicinal Products issued by the Therapeutic Goods Administration ("**TGA**"), Australia. We monitor every manufacturing and quality assurance procedure according to relevant standards. Our product quality control system specifies stringent procedures preventing chemicals from contaminating the products during the manufacturing process.

We consider occupational health and safety ("**OHS**") as a top priority. Our OHS management system is follow the guideline of OHSAS 18001 in which our safety manual for the production plants, risk assessment and control mechanism are in place to prevent health and safety incidents. The Group acknowledges the importance of protecting the environment in our daily operations. We comply with all applicable environmental laws and regulations regarding emissions and waste management, especially in handling chemicals and hazardous materials. As we strive to improve our ESG performance, the Group will continue to work closely with our stakeholders on sustainability, creating a safe, healthy and green environment for the future generations.

STAKEHOLDER ENGAGEMENT

The Group engages with its stakeholders including customers, suppliers, employees, investors and the community on a regular basis. For example, we connect with our customers through customer services to gain feedback on product quality and their level of satisfaction, and communicate with shareholders about our business performance through the annual general meeting and annual reports. Below are the engagement approach and the sustainability issues that stakeholders are concerned about.

Stakeholder Group	Engagement Method	Topics
Customers	• Customer services • Company websites	• Quality assurance • Health and safety • Customer satisfaction
Community	• Support community care and youth development	• Community investment
Employees	• Performance appraisals • Training and development	• Training and development • Health and safety • Employee well-being
Investors and Shareholders	• Annual general meeting • Financial and ESG Reports • News releases	• Corporate governance • Information disclosure • Risk management
Suppliers and contractors	• One-on-one meetings	• Quality assurance • Health and safety

PRODUCT EXCELLENCE

To fulfill our commitment in providing the best quality products to our customers, the Group attaches great importance to quality assurance.

Our modernised medicine production facilities are constructed with PIC/S EU standards and with GMP and TGA certification, in which we comply with relevant guidelines and standards in maintaining superior quality throughout the manufacturing process, from product design, manufacturing to checking of finished products.

The Group has also established guidelines for various aspects of manufacturing, including personnel involved, premises, equipment, manufacture, quality control, etc. The guidelines lay out hygiene and quality standards and requirements. All staff involved in manufacturing must be trained with specific knowledge, skills and techniques before carrying out their duties. All training records are kept and reviewed by the respective department heads. The heads of the production and quality control departments are also responsible for inspecting and approving all raw materials, packaging materials, intermediate and finished products against the quality standards. They are required to report any problems discovered and determine follow-up actions.

Ensuring the hygiene of production is vital in maintaining product quality. Production operators must conform to the Group's personal hygiene measures to prevent the contamination of the products, such as wearing protective gowns, caps and footwear, refraining from eating, drinking or smoking in the production area, as well as washing their hands before entering the area. We strive to keep our premises, machinery and equipment well-maintained by disinfecting and cleaning them regularly. The electrical, lighting, ventilation, humidity and air control facilities are closely monitored to avoid any adverse impact on quality of products in production and storage. Lubricant and chemicals used in maintaining machinery and equipment must be stored in designated locations separated from the production areas. Records of maintenance and repairing dates and information are properly kept for reference.

As for the materials used, all manufacturing procedures, such as the pre-treatment of herbal medicines, extraction and concentration of processed herbal medicine are carried out in separate areas. The design of the production line allows adequate space for the appropriate scale of production to prevent the risk of mixed-ups of different materials and cross-contamination. Validation is carried out if a new formula of a product is adopted to ensure the production facilities are suitable for manufacturing the product of the requisite quality. Raw materials, intermediate products, finished products and packaging materials are stored separately and clearly labelled. Only authorised personnel can access the storage areas.

Our quality control procedures involve sampling and testing, which are essential for the quality of the product. The head of the quality control department ensures the stability of product ingredients, correct labelling of containers, recording and approving the data from the samples and testing results and handling any products that failed to reach the standards. Our quality control laboratory conducts tests for sample taken according to the GMP guideline. All samples are labelled and stored in designated containers to avoid contamination. Only products that meet the specifications can be released, otherwise, they are reprocessed before going through the quality control process again. The packaging labels are also part of the inspection, ensuring all information required by relevant laws are printed on the label, such as ingredients, lot number and expiry date.

CUSTOMER GRIEVANCE MECHANISM

The Group handles all complaints from customers regarding any defective products in a prompt manner. A thorough investigation will be conducted by the committee and the Quality Assurance department to verify the source of the defection. If the investigation results lead to a recall of products, it would be carried out efficiently following our recalling system. We would immediately notify our distributors, retail shops, customers and the Chinese Medicines Board through various communication channels. A report would then be prepared on the progress of recall. All recalled products are stored in a secure and segregated area. The complaint and recall system is reviewed on a regular basis to improve customer satisfaction and our product quality.

During the year, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters related to products and services provided and methods of redress.

OPERATIONAL PRACTICES

As a reputable cooperation, the Group is committed to operating with fairness, integrity and honesty.

SUPPLY CHAIN MANAGEMENT

As a responsible corporation, the Group is committed to providing the best quality of medical and healthcare products for customers. Therefore, we monitor our suppliers closely to ensure they meet our requirements. For the procurement procedure for all new products, we require that quotations of at least three suppliers be compared. They are evaluated and selected based on price, quality and service, with the approval of the department head before purchasing. If any non-compliance is discovered, the materials will be returned directly to the supplier.

The Group strives to ensure our suppliers and contractors comply with our safety standards. The procurement process is conducted under a controllable, safe and accountable method, based on whether they have built and maintained a set of health and safety policy, including safety procedures in using hazardous materials and equipment. We introduce and explain our safety requirements to the selected suppliers. Inspections are carried out to evaluate potential safety risks and request the supplier or contractor to correct any defects discovered.

DATA PRIVACY

The Group takes all necessary measures to prevent any confidential information of the Company including intellectual properties from being dislcosed. Any forms of disclosure of such information are prohibited unless an authorisation from the Board is obtained. The Group retains the rights of all product formula, design and research conducted by our employee during their employment period. All related items and materials must be returned to the Company upon the termination of the employment. The Group reserves the right for taking legal actions if this rule is found to be violated.

ANTI-CORRUPTION

As the Group strives to provide quality products and services to customers, we expect employees to uphold the integrity and professionalism, protecting the Group's interests and reputation when performing their duties. Our Code of Conduct lists out the relevant clauses of Prevention of Bribery Ordinance and the Group's anti-corruption policy. It concludes appropriate methods in handling conflict of interests, accepting advantages and business entertainment, etc. Any forms of bribery and disclosure of confidential materials for benefits are strictly prohibited. Employees are required to declare their interest to the Group. Disciplinary actions will be taken against any persons who are found violating the Code of Conduct and may be subject to dismissal or even prosecution if their behavior breached the law. Whistleblowing policy is also in place which allows employees to report any case of unethical behavior to the human resources department. During the year, the Group was not aware of any reported cases of bribery.

OUR PEOPLE

The Group believes that employees are our most important assets. We are committed to providing equal opportunities, a healthy and safe working environment for our employees.

EMPLOYMENT AND LABOUR PRACTICE

Our hiring process and employee policies have complied to all relevant labour and employment laws in Hong Kong. No employees should be discriminated on their age, gender, religion, family status or disability. To protect our employees, a code of conduct was established regarding the Group's policy on inappropriate behavior including sexual harassment. Any complaints on employment matters and violation of code of conduct could be made to the supervisor or department heads who respond to them in a timely manner.

In addition to basic benefits such as annual leave, MPF and medical care, employees enjoy discount on "Wai Yuen Tong" products. Their immediate family enjoy benefits at Chinese medicine clinics. This year, the Group has improved the terms of taking maternity leave and marriage leave. Rewards are also granted to employees who performed outstandingly at their role. We maintain effective communication channels with employees in responding to their concerns on employment issues. They may report any grievances to their supervisors or human resources manager. If their concerns remain unresolved, employees may make a complaint to the managing director. All complaints will be handled fairly and efficiently.

The Group always maintains good labour practices according to laws and regulations. We were not aware of any reports regarding discrimination, violation of labour rights, employment of child and forced labour during the year.

HEALTH AND SAFETY

We care about the health and safety of our employees which is pivotal to our long-term success. We strive to provide a safe working environment for them. Our Company Safety Committee is the main governance body responsible for handling health and safety matters. The committee meets at least every three months, attended by the management, safety supervisors, safety representatives, department heads, factory operation manager and any other parties concerned. All health and safety policies, division of responsibilities and documentation are formulated and approved by the committee before implementation. During the year, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to occupational health and safety.

The Group's work safety management system together with the Group's safety manual, we strive to incorporate occupational health and safety into our business strategy and daily operations to mitigate safety risks. Our health and safety management system is under review regularly in order to protect our employees and provide a health and safe service to our customers. The Group is in compliance with all relevant laws and regulations on occupational health and safety, including but not limited to Factories and Industrial Undertakings Ordinance, Occupational safety and health ordinance, Dangerous Goods Ordinance, Fire Safety Ordinance etc.

To prevent safety accidents and occupational diseases, hazard identification, risk assessment and risk control are carried out by the safety supervisor on the Group's activities including production area, equipment and production procedures. After the completion of job hazard analysis, respective safety measures are established and implemented to prevent and control such risks. Separate evaluation of chemicals and hazardous materials are conducted to record the types of chemicals used and to assess their potential health and safety risks, so that appropriate safety guidelines and training can be issued and planned.

Regarding the actual operation, safety rules and procedures are set for each activity carried out in the production area, such as the use of particular machinery, handling of chemicals and logistics, etc. The safety supervisor must monitor and review such rules and procedures regularly and report any defaults, risk or non-conformity. Personal protective equipment such as safety helmets, goggles, respirators and earplugs are provided when necessary. Equipment is distributed according to procedures together with a briefing on the user guidelines. The purchase, storage, inspection and replacement of the equipment must be recorded and kept by the safety representative and the administration department.

Safety inspections are carried out every month or every three months depending on the items inspected. All defects and non-conformity discovered must be recorded and graded before setting a deadline for correction. Emergency mechanisms require relevant departments to report and investigate any safety incidents and identify the fundamental cause of the event. This would help the management to improve the overall safety policy accordingly and prevent similar cases from reoccurring.

RAISING SAFETY AWARENESS

Safety training is essential in ensuring our employees are knowledgeable, well-equipped and able to carry out their duties safely. Training sessions are held in groups and individually. The Safety supervisor establishes training objectives, contents and methods for different work positions. The basic training contents include an introduction to OHSAS 18001 standards, relevant laws and regulations, duties and responsibilities and consequences of non-compliance etc. Employees are encouraged to report any feedback or safety risks discovered to the safety supervisor or human resource department who will handle the reports immediately. The Group also launched the occupational health and safety promotion scheme, rewarding employees who actively participate in our health and safety initiatives.

TRAINING AND DEVELOPMENT

The Group believes in the "continuous learning, development and self-enhancement" of our employees as our principle in managing our human resources. Training programmes are organized for employees mainly focusing on Good Manufacturing Practice, enhancing their knowledge on quality assurance of our products. In addition to internal training, the Group provides subsidies for employees under our Training Subsidy Scheme, supporting them in completing Continuing Professional Development courses relevant to their roles.

COMMUNITY ENGAGEMENT

The Company is committed to actively engaging the community and pursuing sustainability development in the city. To achieve our goal, we are keen to participate in a series of charitable community events, ranging from sponsorships, sports events to academic interaction, to promote a healthy lifestyle with TCM paving the road to beautiful community. Our effort has been recognised by the Hong Kong Council of Social Service with a 5 Years Plus Caring Company Logo for Wai Yuen Tong, while 10 Years Plus Caring Company Logo for Luxembourg Medicine.

In 2016, we initiated and proposed to set up Teachers/Staff Benevolent Fund and will make a donation of RMB1.5 million to the Sun Yat-sen University for our three-year partnership that aims at offering emergency help to those in need and enhance academic exchange as well as resources sharing down the road.

In addition, we proactively nurture the younger generation and talents to contribute to the society in future. Partnered with Southern District Football Club, we organised the indoor soccer training last summer, coaching the children the basic skills that can benefit their comprehensive development and team spirit.

Meanwhile, our people teamed up with Wang On Group to form running teams to participate in the Charity Run 2016 organised by Po Leung Kuk. Our runners enjoyed 8-kilometre race to support work life balance and youth development. Also, our teams supported the Race for Water 2017 and showed our care to the remote mountainous area where water scarcity occurs in the developing countries. The Company continues to devote valuable resources and efforts in contributing to our community, leading a positive impact in the society.

ENVIRONMENT

As one of the leading Chinese medicine manufacturers in Hong Kong, the Group is committed to minimising the environmental impacts of our business through building a sustainable manufacturing process.

The Group strives to comply with all relevant environmental laws and regulations. And we were not aware of any non-compliance of laws and regulations that have a significant on the Group relating to air and GHG emissions, discharges into water and land, or generation of hazardous and non-hazardous waste during the year.

The Group carried out necessary measures to save energy and resources in its offices. LED lighting and T5 energy saving fluorescent are used. Lights in the common area are switched off during lunch time and non-office hours. Sensor switches are installed in part of the office areas. Timer is set for the air-conditioning system. Energy-saving water tanks and automatic water faucet are used in the toilets.

The Group has also established internal guidelines for staff in promoting green practices in the office, such as reminding staff to use both sides of the paper, switch of the lights and water tabs, bring their own lunch boxes and set sleeping modes for computer appliances etc.

EMISSIONS AND WASTE MANAGEMENT

The main sources of air emissions of our manufacturing process are gas steams generated from the steam stove and exhaust gas from processing Chinese medicine which are discharged through the hydro vent, removing oil and odor from the waste gas.

Chemicals and hazardous waste from the production line and the quality control laboratory is a major part of our waste management. The Group is registered with the Environmental Protection Department ("**EPD**") as Chemical Waste Producers and has obtained a permit from the Hong Kong Customs Department for storing controlled chemicals. Complying with the Control of Chemicals Ordinance and Waste Disposal Ordinance, all chemical waste produced are sorted and stored in designated containers and locations in the waste temporary store room and quality control laboratory. Warning labels in red are used to indicate the type of chemical waste and are collected by licensed waste collectors.

The treatment and disposal of solid waste follows similar procedures, which are sorted and stored in appropriate areas. Recyclable waste such as waste oil from machineries will be removed by licensed recyclers while non-recyclable waste is disposed of at landfills.

Effluents are generated mainly from the pre-treatment of herbal medicines. The Group has obtained the license of Water Pollution Control Ordinance from the EPD which allows the discharge of effluents through the drainage system. We ensure the water discharge have met all requirements set by the EPD.

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.	Emissions and waste management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions and waste management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and raw materials.	Environment
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment
B. Social		
Aspect B1	**Working conditions**	
General disclosure	Information on: (c) the policies; and (d) 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.	Employment, Labour Practice and welfare
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	Health and Safety Raising Safety Awareness
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Health and Safety Raising Safety Awareness

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and development
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.	Employment, Labour Practice and welfare
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
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.	Product Excellence
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Data Privacy
KPI B6.4	Description of quality assurance process and recall procedures	Customer Grievance Mechanism
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.	Employment, Labour Practice and welfare
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Employment, Labour Practice and welfare
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.	Community engagement

CORPORATE GOVERNANCE REPORT

"We will continue to review regularly its corporate governance practices to maintain high level of transparency, to enhance our competitiveness and operating efficiency."

CORPORATE GOVERNANCE PRACTICES

The Board recognises that good corporate governance practices serve as an effective risk management for the growth of the Company and will enhance the benefit of its shareholders. The Company is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence.

The Company continued to adopt the principles and comply with the code provision 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 applicable 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**") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year under review.

In accordance with code provision A.6.4 of the CG Code, 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. 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 (i) the manufacturing, processing and retailing of traditional Chinese medicine; (ii) the processing and retailing of Western pharmaceutical, health food and personal care products; and (iii) property investment. The Group continues its proactive expansion strategy for generating and preserving shareholder value over the longer term.

With respect to the core Chinese and Western pharmaceutical and health food products business, the Group will further leverage its edge in vertical integration. In order to achieve this objective, the Group is enhancing the effort on new products research, development and registration, especially focus on those Chinese and Western medicinal products which possess their own uniqueness and curative effect. The Group also extends its retail and medical service network aggressively to gain market share. Furthermore, the Group seeks to expand the Chinese herbal plantation base in Mainland China to assure quality source of raw materials.

With respect to the property investment business, the Group continues to look for and acquire sizeable and potential retail premises for mitigating the effect of rising rental costs.

On the other hand, the Group will closely monitor the market for merger and acquisition opportunities if it can bring synergy to our existing business, as well as diversification of its investment portfolio for strengthening and broadening its income base. The Group also takes active and prompt measures from time to time, reviewing and adjusting its business strategy and adopting various controls over costs, if necessary, so as to maintain the Group's profitability. Besides, 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 comprises 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*
Mr. Chan Chun Hong, Thomas, *Managing Director*
Ms. Tang Mui Fun

Independent non-executive Directors

Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou
Mr. Li Ka Fai, David

Ms. Tang Mui Fun is a sister of Mr. Tang Ching Ho and the biographical details of the Directors are set out on pages 23 to 24 of this report.

The Board possesses a mix and balance of skills and experience which are appropriate for the requirements of the businesses of the Company. The opinions raised by the INEDs in Board meetings facilitate the maintenance of good corporate governance practices. As at the date of the annual report, the Board has four INEDs, 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. The Company has reviewed the composition of the Board and discussed 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 businesses and to enhance the shareholders' value. 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 (http://www.wyth.net) 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.

Appointment and Re-election of the Directors

All INEDs are appointed with specific term set out in respective letters of appointment and all of them are subject to retirement by rotation and, being eligible, offer themselves for re-election at 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, any Director who is appointed by the Board to fill casual vacancy 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. All INEDs are free from any business or other relationship with the Company, except that Mr. Siu Man Ho, Simon is the son of Mr. Siu Yim Kwan, Sidney, an independent non-executive director of Wang On, a substantial and controlling shareholder of the Company. Such relationship will not affect his independence in relation to his position as an INED.

The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2017. Save as disclosed herein, the Company continues to consider the four INEDs to be independent for the year ended 31 March 2017 and up to the date of this report.

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 of 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 acquisitions and disposals, review of interim and annual financial results, appointments and removals of directors and auditor, the evaluation on the performance and compensation of senior management, any material capital transactions and other significant operational and financial affairs. With a view to maintaining an appropriate balance between 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 written terms of reference.

The 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, and implementation of sustainability practices.

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

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 from time to time.

During the year under review, 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, corporate governance practices and the effectiveness of internal control and risk management systems of the Group. Apart from these regular meetings, Board meetings are also held, as and when necessary, to consider major transactions of the Group. At least 14-day 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 and pursuant to code provision A.2.7 of the CG code, the chairman of the Board also met with the INEDs without the presence of any executive Director during the year.

Chairman and Chief Executive

The role of the chairman of the Company is being held by Mr. Tang Ching Ho and the role of the managing director of the Company is being held by Mr. Chan Chun Hong, Thomas. Their roles 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.

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 "**Board Diversity Policy**") stipulating the composition of the Board, reviewing 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 the Board Diversity Policy which sets out the approach to diversify the Board and was reviewed annually. The nomination committee of the Company reviews and assesses the Board composition on behalf of the Board and will recommend the appointment of new Director, when necessary, pursuant to the Board 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 year 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 Board 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 other useful guidelines, the Companies Ordinance and financial or accounting standards which may be of the interest to the Directors and benefit for them to discharge their duties.

In addition, the company secretary also provides and circulates 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, Ms. Tang Mui Fun, Mr. Siu Man Ho, Simon and Mr. Li Ka Fai, David also attended and/or gave presentation in seminars and/or forums.

The company secretary 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 executive committee (the "**Executive Committee**"), audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination 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 committee meetings are kept by the company secretary of the Company 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 decisions and recommendations, where appropriate.

Executive Committee

The Executive Committee has been established since 2005 with specific written terms of reference setting out authorities 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, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun and Mr. Tang Ching Ho takes the chair of the Executive Committee.

Audit Committee

The Audit Committee has been established 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 four INEDs, namely, Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou. Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

The functions of the Audit Committee is, among other things, to assist the Board to review and monitor the financial reporting independently, including interim and final results, to supervise over the Group's internal control and risk management systems, to monitor the internal and external audit functions, the appointment, reappointment and removal of the 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 provisions of the CG Code (as amended from time to time) so as to ensure that the management has discharged its duty to have an effective internal control and risk management systems including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting, internal audit and financial reporting function.

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

During the year under review and up to the date of this report, the Audit Committee members met twice with the external auditor and the Group's senior management to discuss and review, among other things, 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 procedures of the final results for the year ended 31 March 2016 and the general review on the interim results for the six months ended 30 September 2016;

(c) the term and remuneration for the appointment of the external auditor to perform non-audit services, other special corporate projects and review the overall significant control system;

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

(e) the continuing connected transactions of the Group;

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

(g) the adequacy of resources, qualifications and experience of staff and the accounting, internal audit 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 the external auditor 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 five members, including Messrs. Siu Man Ho, Simon, Cho Wing Mou, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Siu Man Ho, Simon was elected as the chairman of the Remuneration Committee.

The Remuneration Committee is provided with sufficient resources to discharge its duties and may access to independent professional advice in accordance with the Company's policy and its written 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 are 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, 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 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 financial statements. In addition, pursuant to the code provision B.1.5 of the CG Code, 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	1
HK$500,000 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1
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 five members, including Messrs. Cho Wing Mou, Siu Man Ho, Simon, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Cho Wing Mou is elected as the chairman of the Nomination Committee.

The roles and functions 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 Nomination 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 Nomination 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 may access to independent professional advice according to the Board Diversity Policy and its written 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 Mr. Tang Ching Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David at the forthcoming annual general meeting. The Nomination Committee also reviewed the Board Diversity Policy and evaluated the Board performance and succession planning.

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:

	Number of meetings held/attended					
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting**	**General meeting**
Tang Ching Ho	3/4	N/A	1/1	1/1	1/1	0/1
Chan Chun Hong, Thomas	4/4	N/A	1/1	1/1	1/1	1/1
Tang Mui Fun	4/4	N/A	N/A	N/A	1/1	0/1
Leung Wai Ho	4/4	2/2	1/1	1/1	1/1	0/1
Siu Man Ho, Simon	4/4	2/2	1/1	1/1	1/1	0/1
Cho Wing Mou	3/4	2/2	1/1	1/1	1/1	0/1
Li Ka Fai, David	4/4	2/2	N/A	N/A	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems covering financial, operational, compliance and risk management aspects.

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 budgets of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible 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. The management may report from time to time any finding, recommendation and remedies to the Audit Committee.

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 an annual or periodical review on any significant change of the business environment and establish procedures to response the risks result from the 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 follow:

— Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

— Risk avoidance: change business process or objective so as to avoid the risk; and

— Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market.

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 of 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.

The Board conducted an 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.

EXTERNAL AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor, Ernst & Young, for the year ended 31 March 2017 which has been reviewed and approved by the Audit Committee, are set out as follows:

Services rendered for the Group	**Fees paid/payable to Ernst & Young** HK$'000
Audit services:	
— For annual financial statements	2,300
Non-audit services:	
— agreed-upon procedures	250
— Taxation and professional services	391
— other professional services	730
Total	**3,671**

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 are 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 67 to 73 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations, such as the Bermuda Companies Act 1981, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. 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 Company and its subsidiaries during the year ended 31 March 2017.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing and strengthening efforts on environmental protection, so as to facilitate industrial upgrading. We proactively implement environmental protection policies, gradually adjust its portfolio, conduct energy-saving, using recycled paper, emission reduction and pollution prevention and so forth. The Group not only improved the quality management system but also strengthened the quality of the audit to ensure the quality and safety of Chinese and Western pharmaceutical project control. During the year under review, there was no material non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

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 websites of the Stock Exchange (www.hkex.com.hk) and the Company *(http://www.wyth.net)*. 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. 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 code provision 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 websites 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 3101, 31/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 Company's principal place of business in Hong Kong at Suite 3102, 31/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries 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 Company at *http://www.wyth.net*.

Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board in writing by email to *contact@waiyuentong.com* or by addressing their enquiries to the Board or the company secretary in the following manners:

In respect of the corporate affairs:
The Board/Company Secretary/PR Manager
Wai Yuen Tong Medicine Holdings Limited
Suite 3101, 31/F., Skyline Tower,
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

In respect of the other shareholding/entitlement affairs:
Tricor Secretaries 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.wyth.net)*, 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 shareholders of the Company.

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. The principal activities of the principal subsidiaries comprise the production and sale of traditional Chinese and Western pharmaceutical products, health food and personal care products. During the year, there were no significant changes in the nature of the Group's principal activities.

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 74 to 163.

For the year ended 31 March 2017, the Group recorded a turnover of approximately HK$738.4 million (2016: approximately HK$825.3 million) and a loss attributable to owners of the parent of approximately HK$93.3 million (2016: a profit attributable to owners of the parent of approximately HK$25.4 million).

The Board does not recommend the payment of any final dividend for the year ended 31 March 2017 (2016: Nil). No interim dividend was made for the six months ended 30 September 2016 (for the six month ended 30 September 2015: Nil).

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.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2017 are set out on note 1 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements, respectively.

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 audited financial statements, is set out on pages 165 to 166 of this report. This summary does not form part of the audited financial statements.

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.

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.

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$276.1 million (2016: approximately HK$315.4 million) which represented the net balance of contributed surplus of approximately HK$275.7 million (2016: approximately HK$275.7 million) and retained profits of approximately HK$0.4 million (2016: approximately HK$39.7 million).

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Tang Ching Ho, *SBS, JP, Chairman*
Mr. Chan Chun Hong, Thomas, *Managing Director*
Ms. Tang Mui Fun

Independent non-executive Directors:

Mr. Leung Wai Ho*, MH*
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou
Mr. Li Ka Fai, David

In accordance with Bye-law 87 of the Bye-laws, Mr. Tang Ching Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David 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 INEDs, namely Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, 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 26 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 39 to the financial statements, no Directors or 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 INTEREST IN COMPETING BUSINESS

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 Listing Rules, were as follows:

Long positions in the ordinary shares of the Company and its associated corporation, Wang On:

(a) Long positions in the ordinary shares of the Company and its associated corporation, Wang On:

Name of Director	Name of corporation	Number of shares	Approximate percentage of in the Company's total issued share capital %
Mr. Tang Ching Ho *(Note 1)*	the Company	649,322,940	51.32 *(Note 2)*
	Wang On	9,984,356,772	51.76 *(Note 3)*

Notes:

1. Under the SFO, Mr. Tang Ching Ho is taken to be interested in the interests of the Company as he is taken to be interested in an aggregate of 9,984,356,772 shares in Wang On, representing approximately 51.76% of all the issued Wang On's shares, by virtue of his own beneficial shareholding, the shareholding interests of his spouse in Wang On, the shareholding interests of a company wholly and beneficially owned by him, and his deemed interests by virtue of being the founder of Tang's Family Trust. Wang On is taken to be interested in the interests in shares held by Rich Time Strategy Limited ("**Rich Time**"). Rich Time, an indirectly wholly-owned subsidiary of Wang On, which was the beneficial owner of 649,322,940 shares of the Company. Therefore, Mr. Tang Ching Ho was deemed to be interested in 649,322,940 shares of the Company held by Wang On for the sole purpose of Part XV of the SFO.

2. The percentage represented the number of shares over the total number of issued shares of the Company as at 31 March 2017 was 1,265,142,888 shares.

3. The percentage represented the number of shares over the total number of issued shares of Wang On as at 31 March 2017 was 19,288,520,047 shares.

(b) Long positions in underlying shares of share options of the Company:

Name of director	Date of grant *(Note 1)*	Exercise price per share *(Note 1)* HK$	Number of share options outstanding *(Note 2)*	Exercisable period	Number of underlying shares	Approximate percentage of the Company's total issued share capital *(Note 3)* %
Ms. Tang Mui Fun	8.1.2009	20.6927	4,554	8.1.2010 – 7.1.2019	4,554	0.0004

Notes:

(1) The numbers and exercise prices of the share options were adjusted immediately upon completion of the Rights Issue on 29 September 2016, as detailed in the Company's announcement dated 28 September 2016.

(2) The exercise period of the above share options beneficially held by Ms. Tang Mui Fun was 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

(3) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 217 was 1,265,142,888 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.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 22 August 2013, the shareholders of the Company approved the termination of the share option scheme previously adopted by the shareholders of the Company at the special general meeting held on 18 September 2003 (the "**2003 Scheme**") and the adoption a new share option scheme (the "**2013 Scheme**") for the primary purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group's operations. Upon termination of the 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 2003 Scheme. The 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from that date.

Pursuant to the 2013 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 2013 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 offer date. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the 2013 Scheme, the maximum number of share options that may be granted under the 2013 Scheme and any other share option schemes of the Company is the number, 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 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, which was refreshed at the last annual general meeting held on 20 August 2015.

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 2013 Scheme within any 12-month period is limited to 1% of the number of 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 2013 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. 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.

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

Name or category of 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)
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									
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			

Notes:

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

2. The share options granted under the 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

During the year under review, no share option was granted and outstanding under the 2013 Scheme and no share options under the 2003 Scheme were exercised or cancelled and 11,657 share options lapsed during the year.

At the end of the reporting period, the Company had 47,577 share options outstanding under the 2003 Scheme. The exercise in full of these 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 expenses).

As at the date of this report, the total number of shares available for issue under the 2013 Scheme is 31,628,572 shares (being adjusted upon completion of the Capital Reorganisation), representing 2.5% of the Company's total issued share capital.

Other particulars of the 2003 Scheme and the 2013 Scheme are set out in note 31 to the financial statements.

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" and "Share Option Scheme" above and in the share option scheme disclosures in note 31 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTEREST 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 (other than Directors or chief executive of the Company) 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 shareholders	Number of shares	Approximate percentage of the Company's total issued share capital *(Note 3)* %
Rich Time Strategy Limited ("**Rich Time**") *(Note 1)*	649,322,940	51.32
Wang On Enterprises (BVI) Limited ("**WOE**") *(Note 1)*	649,322,940	51.32
Wang On Group Limited ("**Wang On**") *(Note 1)*	649,322,940	51.32
Ms. Yau Yuk Yin *(Note 2)*	649,322,940	51.32

Notes:

1. Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 649,322,940 shares of the Company. WOE and Wang On are taken to be interested in 649,322,940 shares of the Company held by Rich Time.

2. Ms. Yau Yuk Yin is taken to be interested in the shares in which her spouse, Mr. Tang Ching Ho, was interested as stated above in the sub-paragraph headed "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations".

3. The percentage represented the number of shares over the total number of issued shares of the Company as at 31 March 2017 of 1,265,142,888 shares.

Save as disclosed above, as at 31 March 2017, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The Company became a non wholly-owned subsidiary of Wang On upon completion of the Rights Issue, its shareholding in the Company has been increased from 22.08% to 51.32% since 29 September 2016. During the year, the following transactions continued or constituted continuing connected transactions for the Company under Rule 14A.55 and 14A.56 of the Listing Rules:

(a) on 18 February 2015, Wai Yuen Tong (Retail) Limited ("**WYTR**"), a subsidiary of the Company as a tenant, and Oriental Sino Investments Limited ("**Oriental Sino**"), a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement to rent a shop located at Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong for a term of three years commencing from 16 February 2015 and expiring on 15 February 2018 at a monthly rental of HK$900,000 (with rent free period commencing from 16 February 2015 to 15 April 2015), with an option exercisable by WYTR to renew the tenancy for further three years at the monthly rental of HK$1,020,000, details of which were set out in the announcement of the Company dated 18 February 2015. During the financial year, total annual rental paid by WYTR to Oriental Sino under the abovementioned tenancy was HK$10,800,000;

(b) on 30 June 2015, the Company entered into a sub-lease agreement with Wang On Management Limited ("**WOM**"), a wholly-owned subsidiary of Wang On, to lease portions of the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "**Premises**") for a term commencing from 1 July 2015 and expiring on 26 March 2017 at a monthly license fee of HK$165,550. Such agreement was terminated and replaced by the following agreements:

    (i) Wang On Licensing Agreement:

    a licensing agreement dated 21 December 2016 (as supplemented on 22 December 2016) entered into between the Company and WOM for a term commencing from 22 December 2015 and expiring on 26 March 2017 at a monthly fee of HK$80,000 for 5A of the Premises; and

    (ii) WOP Licensing Agreement:

    a licensing agreement dated 21 December 2016 (as supplemented on 22 December 2016) entered into between the Company and Wang On Services Limited ("**WOS**"), an indirectly wholly-owned subsidiary of WOP, for a term commencing from 22 December 2015 and expiring on 26 March 2017 at a monthly fee of HK$85,550 for 5B of the Premises,

    for the period up to 31 March 2017, the total licence fees received by the Company from WOM and WOS in respect of leasing of the Premises amounted to HK$1,959,899;

(c) On 19 September 2016, Daywin Limited, an indirectly wholly-owned subsidiary of the Company, entered into the following office sub-licensing agreements for a term commencing from 18 September 2016 and expiring on 17 July 2019:

(i) Wang On Office Sub-licensing Agreement:

an office sub-licensing agreement with Wang On Management Service Limited ("**WOMS**"), an indirectly wholly-owned subsidiary of Wang On, to sub-lease Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong at a monthly fee of HK$188,940, together with other monthly expenses (including management fee and air-conditioning charge of HK$45,758, rates of HK$10,240 and Government rent of HK$6,144 for financial year ended 31 March 2017, subject to increment of 5% for every following financial years); and

(ii) WOP Office Sub-licensing Agreement:

an office sub-licensing agreement with Wang On Properties Services Limited ("**WOPS**"), an indirectly wholly-owned subsidiary of WOP, to sub-lease Suite 3201, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong at a monthly fee of HK$414,672, together with other monthly expenses (including management fee and air-conditioning charge of HK$101,255, rates of HK$22,660 and Government rent of HK$13,596 for financial year ended 31 March 2017, subject to increment of 5% for every following financial years),

for the period up to 31 March 2017, the total office sub-licensing fee received by the Group from WOMS and WOPS amounted to HK$5,167,671; and

(d) on 23 October 2015, WYT Medicine, a subsidiary of the Company, as the supplier, and WOM, as the purchaser, entered into a new master sales agreement for supplying Chinese and Western pharmaceutical products, health food and personal care products by the Group to WOM (for itself and on behalf of other members of Wang On) for the three financial years ending 31 March 2018 at annual caps of HK$8.0 million, HK$9.0 million and HK$9.8 million, respectively. During the year, total sales proceeds received by the Group from WOM was HK$7,654,915.

The Directors (including all of the INEDs) have reviewed and confirmed that the abovementioned continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions 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 favourable to the Group than those available to or from independent third parties; and (iv) have not exceeded the respective caps.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions 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 transactions 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 during the year under review, which fell under Rule 14A.73 of the Listing Rules, are set out in note 39 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 transactions in accordance with the requirements of the Listing Rules.

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 shareholders of the Company has adopted the 2013 Share Option Scheme at the annual general meeting held on 22 August 2013, as an incentives to Directors and eligible employees, details of the 2013 Scheme are set out in note 31 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, sales to the Group's five largest customers accounted for less than approximately 13.1% (2016: approximately 12.3%) of the Group's total sales and the sales to the Group's largest customer included therein accounted to approximately 4.0% (2016: approximately 4.7%).

During the year, the largest supplier accounted for approximately 17.0% (2016: approximately 15.7%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 36.4% (2016: approximately 40.8%) of the Group's purchases.

At no time during the year did a Director or any of their associates or a shareholder of the Company, which to the best knowledge of the Directors, owns more than 5.0% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or the largest suppliers.

DISCLOSURES PURSUANT TO RULES 13.12 AND 13.20 OF THE LISTING RULES

During the year, the Group through Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of the Company, advanced by way of (i) subscription of up to an aggregate maximum principal amount of HK$720.0 million five-year 10.0% coupon bonds issued by CAP (the "**2019 Bonds**") pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014); and (ii) acquisition of HK$200 million 2019 Bonds from Double Leads Investments Limited, an indirectly wholly-owned subsidiary of Wang On pursuant to an agreement dated 5 July 2016 (as supplemented on 8 July 2016) entered into between Winning Rich, Double Leads Investments Limited and Wang On. Therefore, at the end of the reporting period, CAP was indebted to the Group an aggregate outstanding principal amount of HK$920.0 million.

Subsequent to the reporting period, on 29 May 2017, Winning Rich entered into an extension agreement with CAP, pursuant to which Winning Rich agreed to extend the payment date of the interest on the 2019 Bonds of approximately HK$45.8 million from 29 May 2017 to 31 August 2017 in consideration of the interest calculated at the rate of 12% per annum on such outstanding interest. As at the date of this report, CAP was indebted to the Group of an aggregate of approximately HK$965.8 million.

DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$1.8 million (2016: approximately HK$0.6 million).

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 its existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices in the interests of the Company and its shareholders as a whole.

In the opinion of the Directors, the Company has complied with the code provisions under the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the financial year under review. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 39 to 54 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient 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 its Audit Committee with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive directors of the Company, and Mr. Li Ka Fai, David 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 and risk management, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. The Audit Committee has also reviewed the consolidated financial statements for the year ended 31 March 2017 with the external auditor and the management of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of significant event of the Group after the reporting period are set out in note 41 to the financial statements.

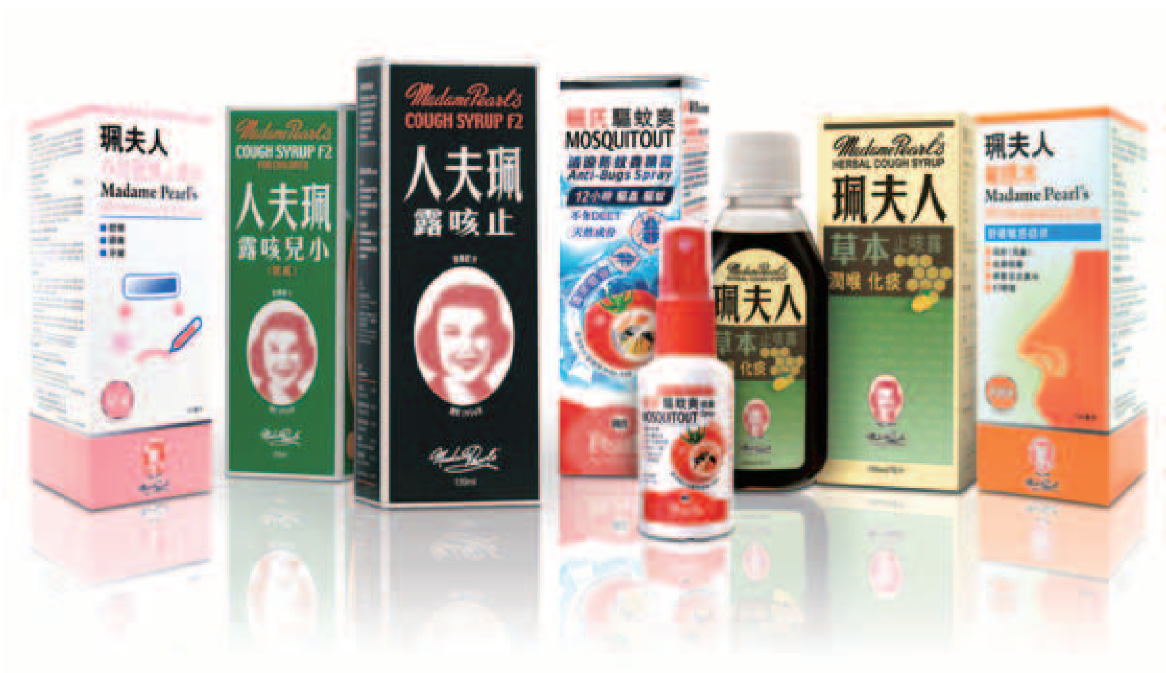
AUDITOR

The financial statements for the year ended 31 March 2017 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the 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



EY 安永

To the shareholders of Wai Yuen Tong Medicine Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Yuen Tong Medicine Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 163, 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	How our audit addressed the key audit matter
Impairment assessment of investments in associates	
As at 31 March 2017, the Group held a 28.5% interest in a listed associate, Easy One Financial Group Limited ("Easy One"), with a carrying amount of approximately HK$370.5 million. As the market value of Easy One's shares is significantly lower than the Group's share of its net assets, there was an impairment indicator on the Group's investment in Easy One. Accordingly, the Group has performed an impairment assessment on its investment in Easy One using a value in use calculation to determine its recoverable amount. The impairment assessment is based on the discounted cash flow method which is complex and requires management to use significant judgements and make assumptions which are affected by expected future market or economic conditions. We focused on this area because of the materiality of the investment and the estimation of the recoverable amount of the investment involves complex and subjective judgements and estimations made by management. The accounting policies and disclosures in relation to the investment in the associate are included in notes 2.4 and 3 to the financial statements.	We evaluated the impairment assessment performed by the management of the Company and our procedures included testing the assumptions used in the cash flow projections, in particular those relating to the forecasted revenue, gross margin, growth rates and discount rate, assessing the accuracy of previous projections by comparison with the current performance, and obtaining corroborative evidence to support the growth and trading assumptions. Furthermore, we involved our internal valuation specialists to assist us with our assessment of the methodology and the discount rate used to determine the recoverable amount.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group held 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 approximately HK$479.0 million as at 31 March 2017, which represented about 18% of the net assets of the Group. Significant estimation is required to determine the fair values of the investment properties, which reflects market conditions at the end of the reporting period. The management of the Company engaged an external valuer to perform the valuations of the investment properties as at 31 March 2017. The accounting policies and disclosures in relation to the estimation of fair value of investment properties are included in notes 2.4, 3 and 15 to the financial statements.	We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company. We also assessed the scope of the valuation, 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.
Recoverability of trade receivables	
As at 31 March 2017, the Group had trade receivables of approximately HK$85.4 million, representing approximately 9.9% of the current assets of the Group. The provision for impairment of trade receivables was based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and involved significant management's judgement and highly subjective assumptions. A number of factors are required to be considered in assessing the ultimate realisation of those receivables, including the ageing of the balance, the existence of disputes, the creditworthiness and the past collection history of each debtor. The accounting policies and disclosures in relation to the recoverability of trade receivables are included in notes 2.4, 3 and 22 to the financial statements.	We evaluated the impairment assessment performed by the management of the Company and our procedures included: (i) inquiring the management's considerations about the financial strength of customers with significant overdue balances; (ii) evaluating the aging analysis of trade receivables provided by management; (iii) reviewing the repayment history and creditworthiness of the debtors; and (iv) assessing the recoverability of outstanding debtors through examination of subsequent settlements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and property, plant and equipment	
As at 31 March 2017, the Group had goodwill and property, plant and equipment of approximately HK$15.3 million and HK$823.5 million, respectively, relating to the two cash-generating units ("CGUs") of the Chinese and Western pharmaceutical and health food products. Given that the segment results in both Chinese and Western pharmaceutical and health food products were loss making for the current year, the management of the Company performed impairment assessments of the respective CGUs by using value in use calculations based on the discounted cash flows. This area has been identified as a key audit matter due to the size of the carrying values of the goodwill and property, plant and equipment as well as the significant judgement and estimation involved in the assessment of their recoverable amounts. The accounting policies and disclosures in relation to the impairment of goodwill and items of property, plant and equipment are included in notes 2.4, 3, 14 and 16 to the financial statements.	We evaluated the impairment assessments performed by the 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 rate; (ii) assessing the accuracy of previous projections by comparison with the current performance; and (iii) obtaining evidence to evaluate 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.
Impairment assessments of loan and interests receivables and an unlisted debt investment	
As at 31 March 2017, the Group had loan and interests receivables and an unlisted debt investment amounting to approximately HK$112.8 million and HK$912.1 million, respectively, which represented approximately 4.2% and 34.3% of the net assets of the Group, respectively. Significant management judgement and estimates were required in determining the recoverability of the loan and interests receivables and the unlisted debt investment, 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 in relation to the impairment of loan and interests receivables and the unlisted debt investment are included in notes 2.4 and 3 to the financial statements.	We evaluated the Group's processes and controls over the approvals and recording of the loan and interests receivables and the unlisted debt investment. 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/or public information about the liquidity and business performance of the debtors; and (ii) reviewing the repayment history.

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.

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

(Continued)

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.

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	**738,440**	825,331
Cost of sales		**(427,676)**	(455,113)
Gross profit		**310,764**	370,218
Other income and gains, net	5	**170,132**	88,958
Selling and distribution expenses		**(263,861)**	(292,666)
Administrative expenses		**(172,403)**	(150,540)
Finance costs	7	**(16,555)**	(14,854)
Change in fair value of equity investments at fair value through profit or loss, net		**(47,545)**	3,140
Fair value losses on investment properties, net	15	**(31,800)**	(18,200)
Gain on disposal of a subsidiary	34	**–**	2,484
Loss on deemed partial disposal of equity interests in an associate	18	**–**	(37,101)
Share of profits and losses of associates		**(45,091)**	77,627
PROFIT/(LOSS) BEFORE TAX	6	**(96,359)**	29,066
Income tax credit/(expense)	10	**2,432**	(3,839)
PROFIT/(LOSS) FOR THE YEAR		**(93,927)**	25,227
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment	20	**37,204**	54,880
Share of other comprehensive loss of an associate		**(7,805)**	(14,638)
Translation reserve:			
Translation of foreign operations		**(4,430)**	(1,778)
Release upon deemed partial disposal of equity interests in an associate		**–**	(2,537)
Release upon voluntary winding-up of subsidiaries	34	**(3,030)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**21,939**	35,927
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(71,988)**	61,154

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Profit/(loss) attributable to:			
Owners of the parent		**(93,303)**	25,387
Non-controlling interests		**(624)**	(160)
		(93,927)	25,227
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(71,364)**	61,314
Non-controlling interests		**(624)**	(160)
		(71,988)	61,154
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		(Restated)
Basic and diluted		**HK(10.57) cents**	HK5.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**823,487**	637,277
Investment properties	15	**479,000**	510,800
Goodwill	16	**15,335**	15,335
Other intangible assets	17	**213**	290
Investments in associates	18	**375,574**	428,470
Available-for-sale investment	20	**912,093**	671,521
Loan and interests receivables	19	**80,000**	–
Deposits paid for the acquisition of property, plant and equipment	22	**10,623**	134,336
Deferred tax assets	29	**13,761**	10,837
		2,710,086	2,408,866
CURRENT ASSETS			
Inventories	21	**169,712**	154,760
Trade and other receivables	22	**172,908**	209,977
Amounts due from associates	23	**10,417**	12,308
Equity investments at fair value through profit or loss	24	**150,303**	197,075
Loan and interests receivables	19	**32,823**	24,644
Tax recoverable		**3,307**	2,447
Bank balances and cash	25	**323,695**	205,608
		863,165	806,819
Non-current asset classified as held for sale	13	**–**	21,767
		863,165	828,586
CURRENT LIABILITIES			
Trade and other payables	26	**149,476**	161,688
Bank borrowings	27	**62,290**	158,928
Deferred franchise income	28	**18**	18
Tax payable		**857**	186
		212,641	320,820
NET CURRENT ASSETS		**650,524**	507,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,360,610**	2,916,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,360,610**	2,916,632
NON-CURRENT LIABILITIES			
Bank borrowings	27	**697,017**	579,758
Deferred tax liabilities	29	**5,870**	7,318
		702,887	587,076
NET ASSETS		**2,657,723**	2,329,556
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**12,651**	3,163
Reserves	32	**2,639,140**	2,319,327
		2,651,791	2,322,490
Non-controlling interests		**5,932**	7,066
TOTAL EQUITY		**2,657,723**	2,329,556

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$'000	Share premium HK$'000	Special reserve HK$'000 (note 32(i))	Contributed surplus HK$'000 (note 32(ii))	Share option reserve HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 (note 32(iv))	Other reserve HK$'000 (note 32(iii))	Available-for-sale investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		42,171	1,523,882	(27,150)	215,599	499	24,226	–	(1,022)	(93,399)	28,014	325,909	2,038,729	7,226	2,045,955
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	–	25,387	25,387	(160)	25,227
Other comprehensive income/(loss) for the year:															
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–	–	54,880	–	–	54,880	–	54,880
Share of other comprehensive loss of an associate		–	–	–	–	–	(14,125)	–	–	(513)	–	–	(14,638)	–	(14,638)
Translation reserve:															
Exchange differences on translation of foreign operations		–	–	–	–	–	(1,778)	–	–	–	–	–	(1,778)	–	(1,778)
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	(3,287)	–	–	750	–	–	(2,537)	–	(2,537)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(19,190)	–	–	55,117	–	25,387	61,314	(160)	61,154
Forfeiture of share options		–	–	–	–	(6)	–	–	–	–	–	6	–	–	–
Rights issue	30(a)	21,086	206,640	–	–	–	–	–	–	–	–	–	227,726	–	227,726
Share issue expenses	30(a)	–	(5,279)	–	–	–	–	–	–	–	–	–	(5,279)	–	(5,279)
Capital reduction	30(c)	(60,094)	–	–	60,094	–	–	–	–	–	–	–	–	–	–
Transfer		–	–	–	–	–	–	359	–	–	–	(359)	–	–	–
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	–	–	169	–	–	(169)	–	–	–
At 31 March 2016		3,163	1,725,243*	(27,150)*	275,693*	493*	5,036*	359*	(853)*	(38,282)*	28,014*	350,774*	2,322,490	7,066	2,329,556

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Notes	Attributable to owners of the parent													
		Issued capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 32(i))	Contributed surplus HK$'000 (note 32(ii))	Share option reserve HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 (note 32(iv))	Other reserve HK$'000 (note 32(iii))	Available-for-sale investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016		3,163	1,725,243	(27,150)	275,693	493	5,036	359	(853)	(38,282)	28,014	350,774	2,322,490	7,066	2,329,556
Loss for the year		–	–	–	–	–	–	–	–	–	–	(93,303)	(93,303)	(624)	(93,927)
Other comprehensive income/(loss) for the year:															
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–	–	37,204	–	–	37,204	–	37,204
Share of other comprehensive income/(loss) of an associate		–	–	–	–	–	(24,842)	–	12,316	4,721	–	–	(7,805)	–	(7,805)
Translation reserve:															
Exchange differences on translation of foreign operations		–	–	–	–	–	(4,430)	–	–	–	–	–	(4,430)	–	(4,430)
Release upon voluntary winding-up of subsidiaries	34	–	–	–	–	–	(3,030)	–	–	–	–	–	(3,030)	–	(3,030)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(32,302)	–	12,316	41,925	–	(93,303)	(71,364)	(624)	(71,988)
Lapse of share options		–	–	–	–	(110)	–	–	–	–	–	110	–	–	–
Rights issue	30(d)	9,488	398,521	–	–	–	–	–	–	–	–	–	408,009	–	408,009
Share issue expenses	30(d)	–	(7,344)	–	–	–	–	–	–	–	–	–	(7,344)	–	(7,344)
Voluntary winding-up of subsidiaries	34	–	–	–	–	–	–	–	–	–	–	–	–	(510)	(510)
At 31 March 2017		12,651	2,116,420*	(27,150)*	275,693*	383*	(27,266)*	359*	11,463*	3,643*	28,014*	257,581*	2,651,791	5,932	2,657,723

* These reserve accounts comprise the consolidated reserves of HK$2,639,140,000 (2016: HK$2,319,327,000) 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/(loss) before tax		**(96,359)**	29,066
Adjustments for:			
Finance costs	7	**16,555**	14,854
Change in fair value of equity investments at fair value through profit or loss, net		**47,545**	(3,140)
Fair value losses on investment properties, net	15	**31,800**	18,200
Gain on disposal of a subsidiary	34	**–**	(2,484)
Gain on voluntary winding-up of subsidiaries	34	**(3,540)**	–
Loss on deemed partial disposal of equity interests in an associate		**–**	37,101
Share of profits and losses of associates		**45,091**	(77,627)
Gain on disposal of items of property, plant and equipment	5	**(64,531)**	–
Dividends from equity investments at fair value through profit or loss	5	**(3,299)**	(2,006)
Interest income on a loan receivable	5	**(1,585)**	–
Interest income on an available-for-sale investment	5	**(81,979)**	(72,158)
Imputed interest income on an available-for-sale investment	5	**(3,368)**	(3,026)
Interest income on bank deposits	5	**(636)**	(3,199)
Recognition of deferred franchise income	5	**(120)**	(120)
Allowance for obsolete inventories	6	**4,958**	1,400
Depreciation	14	**14,454**	14,721
Amortisation of other intangible assets	17	**153**	178
Impairment of trade receivables, net	22	**5,017**	1,193
		(89,844)	(47,047)
Increase in inventories		**(19,910)**	(4,886)
Decrease in trade and other receivables		**32,052**	892
Decrease/(increase) in amounts due from associates		**1,891**	(1,668)
Decrease in trade and other payables		**(12,700)**	(64,372)
Increase in deferred franchise income		**120**	120
Cash used in operations		**(88,391)**	(116,961)
Interest received		**636**	3,199
Hong Kong profits tax paid		**(2,112)**	(1,899)
Net cash flows used in operating activities		**(89,867)**	(115,661)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(66,807)**	(147,721)
Purchases of an available-for-sale investment	20	**(206,849)**	–
Purchases of equity investments at fair value through or loss		**(3,989)**	(3,900)
Increase in a loan receivable	19	**(80,000)**	–
Acquisition of subsidiaries that are not a business	33	**–**	(69,469)
Disposal of a subsidiary	34	**–**	44,160
Additions of cost of trademarks	17	**(76)**	(60)
Interest received		**82,234**	90,912
Dividends received from associates		**–**	540
Dividends received from listed securities		**3,299**	2,006
Investment in an associate		**–**	(110,714)
Net proceeds from disposal of items of property, plant and equipment		**88,127**	–
Proceeds from disposal of equity investments at fair value through profit and loss		**3,216**	3,187
Prepayments paid for acquisition of property, plant and equipment		**(11,526)**	(134,336)
Net cash flows used in investing activities		**(192,371)**	(325,395)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of rights shares	30	**408,009**	227,726
Share issue expenses	30	**(7,344)**	(5,279)
New bank borrowings		**1,030,000**	285,000
Repayments of bank borrowings		**(1,009,379)**	(96,410)
Interest paid		**(16,555)**	(14,854)
Net cash flows from financing activities		**404,731**	396,183
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**122,493**	(44,873)
Cash and cash equivalents at beginning of year		**205,608**	250,951
Effect of foreign exchange rate changes, net		**(4,406)**	(470)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank balances and cash		**323,695**	205,608

1. CORPORATE AND GROUP INFORMATION

Wai Yuen Tong Medicine Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The address of the head office and principal place of business of the Company is Suite 3101, 31/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:

- production and sale of Chinese pharmaceutical and health food products
- production and sale of Western pharmaceutical and health food products
- property investment

In the opinion of the directors, the immediate holding company of the Company is Rich Time Strategy Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Wang On Group Limited ("Wang On"), which is incorporated in Bermuda and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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				Principal activities
			Direct		Indirect		
			2017	2016	**2017**	2016	
Asia Brighter Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Able Trend Limited	British Virgin Islands/ Hong Kong	Ordinary USD1	**–**	–	**100%**	100%	Money lending
Billion Good Investment Limited	Hong Kong	Ordinary HK$2	**–**	–	**99.79%**	99.79%	Property holding
Cloud Hero Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	–	Provision of financial service
Full Gainer Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	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		Indirect		Principal activities
			2017	2016	**2017**	2016	
Grand Quality Development Limited	Hong Kong	Ordinary HK$2	**–**	–	**100%**	100%	Property investment
Good Excellent Limited ("Good Excellent")	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Info World Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary HK$933,313	**–**	–	**99.79%**	99.79%	Production and sale of Western Pharmaceutical and health food products
New Supreme Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Construction project of a factory in Yuen Long Industrial Estate
Richest Ever Limited	Hong Kong	Ordinary HK$2	**–**	–	**99.79%**	99.79%	Trading of Chinese pharmaceutical and health food products
Sky Success Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Sino Fame Investments Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Smart First Investment Limited ("Smart First")	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Star Sense Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Sunbo Investment Limited ("Sunbo")	Hong Kong	Ordinary HK$1	**–**	–	**100%**	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 2017	Direct 2016	Indirect 2017	Indirect 2016	Principal activities
Topmate Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Total Smart Investments Limited	British Virgin Islands	Ordinary USD1	**100%**	100%	**–**	–	Investment holding
Union Target Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Wai Yuen Tong Company Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property holding
Wai Yuen Tong (Macao) Limited	Macau	Ordinary Macau Pataca 25,000	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong (Retail) Limited	Hong Kong	Ordinary HK$2	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited ("WYT Medicine Company")	Hong Kong	Ordinary HK$13,417,374 Non-voting deferred shares* HK$17,373,750	**–**	–	**99.79%**	99.79%	Production and sale of Chinese pharmaceutical and health food products
深圳市延養堂醫藥有限公司 #	People's Republic of China (the "PRC")/ Mainland China	Registered capital Renminbi ("RMB") 41,279,826	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products

* 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.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

During the prior year, the Group acquired Good Excellent and Sunbo from an indirect wholly-owned subsidiary of Wang On. Further details of these acquisitions are included in note 33 to the financial statements.

During the prior year, the Group disposed of Smart Star Investments Limited ("Smart Star") to an independent third party. Further details of this disposal are included in note 34 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 ("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, an available-for-sale investment and equity investments at fair value through profit or loss which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value 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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

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 adopted 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 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's financial statements 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	*Clarifications 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.

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

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*: Clarified the scope of the standard by specifying that certain disclosure requirements is not required for subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that are 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*: Clarified 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 joint venture on an investment-by-investment basis, upon initial recognition.

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 the date of the transaction 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

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.

The Group's investments in associates 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 is included in the consolidated statement of profit or loss and other comprehensive income of the Group. In addition, when there has been a change recognised directly in the equity of the associate, 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 associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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, an available-for-sale investment and equity investments 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 inventories, financial assets, investment properties, deferred tax assets and non-current asset classified as held for sale), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

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:

Leasehold land and buildings	2% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	20 – $33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10 – 20%
Furniture and equipment	20 – $33^1/_3$%
Motor vehicles	20%
Computer system	20 – $33^1/_3$%

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 any 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 under construction, 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. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

For a transfer from investment properties to owner-occupied properties or inventories, 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 assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives ranging from five to ten years.

Research and development costs

All research costs are charged to profit and loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

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.

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, available-for-sale investments and loans and receivables. 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.

The Group's financial assets include bank balances and cash, trade and other receivables, amounts due from associates, equity investments at fair value through profit or loss, available-for-sale investment and loan and interests receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include equity investments at fair value through profit or loss 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 with net changes in fair value presented in profit or loss. 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 in profit or loss. The loss arising from impairment is recognised in profit or loss.

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 listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. 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 gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 primarily 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.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 if 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

The determination of what is "significant" or "prolonged" requires judgement. In making this 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 part of finance income. 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as loans and borrowings.

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 and bank borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank and other 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

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 the assets 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, bank balances and cash comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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

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

(c) management and promotion fee income and commission income when services are provided;

(d) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest 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; and

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

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 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 31 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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 service 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 the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute to a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central 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 associates 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 profit or loss and other comprehensive income 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 translation 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 subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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 commercial 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.

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.

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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (the "CGUs") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Fair value of investment properties

Investment properties including commercial units in Hong Kong are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuer. 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.

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. 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 calculations are undertaken, management must estimate the expected future cash flows from the asset or the CGUs and choose a suitable discount rate in order to calculate the present value of those cash flows.

During the year, the Group has performed impairment assessments of investment in associates and property, plant and equipment and details are as follows:

(i) *Investment in associates*

As at 31 March 2017, the Group held a 28.5% interest in a listed associate, Easy One Financial Group Limited ("Easy One"), with a carrying amount of approximately HK$370.5 million. As the market value of Easy One's shares is significantly lower than the Group's share of its net assets, there was an impairment indicator on the Group's investment in Easy One.

Accordingly, the Group has performed an impairment assessment on its investment in Easy One using a value in use calculation to determine its recoverable amount. The impairment assessment is based on the discounted cash flow method which is complex and requires management to use significant judgements and make assumptions which are affected by expected future market or economic conditions.

(ii) *Impairment assessment of property, plant and equipment*

As at 31 March 2017, the Group had property, plant and equipment of approximately HK$823.5 million relating to the CGUs of the Chinese and Western pharmaceutical and health food products. Given that the segment results in both Chinese and Western pharmaceutical and health food products were loss making for the current year, the management of the Company performed impairment assessments of the respective CGUs by using value in use calculations based on the discounted cash flows.

The impairment assessment is complex and requires management to use significant judgements and make assumptions which are affected by expected future market or economic conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of loan and interests receivables and a debt investment

The Group had loan and interests receivables and an unlisted debt investment amounting to approximately HK$112.8 million and HK$912.1 million, respectively, which represented approximately 4.2% and 34.3% of the net assets of the Group, respectively, as at 31 March 2017. Significant management judgement and estimates were required in determining the recoverability of the loan and interests receivables and the unlisted debt investment.

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 loan and interests receivables and a debt investment are included in notes 19 and 20 to the financial statements, respectively.

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 29 to the financial statements.

Allowance on 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.

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 operations and the goods and services and has three reportable operating segments as follows:

(a) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong;

(b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand names of "Madame Pearl's" and "Pearl's", respectively; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income and gains, 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 associates are excluded from such measurement.

Segment assets exclude investments in associates, loan and interests receivables, equity investments at fair value through profit or loss, an available-for-sale investment, tax recoverable, deferred tax assets, bank balances and cash and unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, tax payable, deferred tax liabilities and unallocated liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment.

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment revenue:										
Sales to external customers	**578,294**	649,275	**149,859**	163,423	**10,287**	12,633	**–**	–	**738,440**	825,331
Intersegment sales	**–**	–	**–**	–	**6,936**	7,929	**(6,936)**	(7,929)	**–**	–
Total	**578,294**	649,275	**149,859**	163,423	**17,223**	20,562	**(6,936)**	(7,929)	**738,440**	825,331
Segment results	**(35,357)**	(7,492)	**(12,373)**	(7,456)	**(29,553)**	(12,331)	**–**	–	**(77,283)**	(27,279)
Other income									**170,132**	88,958
Unallocated expenses									**(80,017)**	(63,909)
Finance costs									**(16,555)**	(14,854)
Changes in fair value of equity investments at fair value through profit or loss, net									**(47,545)**	3,140
Gain on disposal of a subsidiary									**–**	2,484
Loss on deemed partial disposal of equity interests in an associate									**–**	(37,101)
Share of profits and losses of associates									**(45,091)**	77,627
Profit/(loss) before tax									**(96,359)**	29,066
Income tax credit/(expense)									**2,432**	(3,839)
Profit/(loss) for the year									**(93,927)**	25,227

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
ASSETS								
Assets excluding goodwill	**607,682**	299,803	**259,971**	88,640	**636,876**	693,936	**1,504,529**	1,082,379
Goodwill	**7,700**	7,700	**7,635**	7,635	**–**	–	**15,335**	15,335
Segment assets	**615,382**	307,503	**267,606**	96,275	**636,876**	693,936	**1,519,864**	1,097,714
Investments in associates							**375,574**	428,470
Loan and interests receivables							**112,823**	24,644
Equity investments at fair value through profit or loss							**150,303**	197,075
Available-for-sale investment							**912,093**	671,521
Tax recoverable							**3,307**	2,447
Deferred tax assets							**13,761**	10,837
Bank balances and cash							**323,695**	205,608
Unallocated assets							**161,831**	599,136
Consolidated total assets							**3,573,251**	3,237,452
LIABILITIES								
Segment liabilities	**106,124**	115,600	**12,037**	15,973	**3,372**	12,165	**121,533**	143,738
Bank borrowings							**759,307**	738,686
Tax payable							**857**	186
Deferred tax liabilities							**5,870**	7,318
Unallocated liabilities							**27,961**	17,968
Consolidated total liabilities							**915,528**	907,896

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than investments in associates, loan and interests receivables, equity investments at fair value through profit or loss, available-for-sale investment, tax recoverable, deferred tax assets, bank balances and cash, and unallocated assets representing property, plant and equipment and other receivables of investment holding companies.

- all liabilities are allocated to operating segments other than bank borrowings, tax payable, deferred tax liabilities and unallocated liabilities representing other payables of investment holding companies.

Other segment information

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Unallocated		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:										
Additions to non-current assets (note (i))	**8,465**	12,388	**79,189**	94	**–**	–	**314,468**	135,299	**402,122**	147,781
Capital expenditure through acquisition of subsidiaries that are not a business	**–**	–	**–**	–	**–**	70,000	**–**	–	**–**	70,000
Depreciation	**8,117**	8,478	**274**	289	**5,092**	5,291	**971**	663	**14,454**	14,721
Amortisation of other intangible assets	**153**	178	**–**	–	**–**	–	**–**	–	**153**	178
Impairment of trade receivables, net	**3,317**	407	**1,700**	786	**–**	–	**–**	–	**5,017**	1,193
Allowance for obsolete inventories	**3,489**	1,123	**1,469**	277	**–**	–	**–**	–	**4,958**	1,400

Note:

(i) Additions to non-current assets include investment properties, available-for-sale investment, property, plant and equipment and other intangible assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**570,798**	597,678
Mainland China	**130,837**	188,107
Macau	**13,853**	20,217
Others	**22,952**	19,329
	738,440	825,331

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

(b) Non-current assets

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**1,595,309**	1,723,556
Mainland China	**107,945**	587
Macau	**978**	2,365
	1,704,232	1,726,508

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

Information about major customers

During the years ended 31 March 2017 and 2016, no revenue from transactions with a single external customer contributed over 10% to the total revenue of the Group.

5. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue represents 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; and management and promotion fees earned during the year.

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

	2017 HK$'000	2016 HK$'000
Revenue		
Sales of goods	**727,064**	811,674
Rental income from investment properties	**10,287**	12,633
Management and promotion fees	**1,089**	1,024
	738,440	825,331
Other income		
Interest income on a loan receivable	**1,585**	–
Interest income on an available-for-sale investment	**81,979**	72,158
Imputed interest income on an available-for-sale investment	**3,368**	3,026
Interest income on bank deposits	**636**	3,199
Dividends from equity investments at fair value through profit or loss	**3,299**	2,006
Recognition of deferred franchise income	**120**	120
Sub-lease rental income	**7,852**	2,652
Commission income	**–**	4,950
Others	**1,447**	847
	100,286	88,958
Gains, net		
Gain on disposal of items of property, plant and equipment, net	**64,531**	–
Gain on winding-up of subsidiaries (note 34)	**3,540**	–
Exchange gains, net	**1,775**	–
	69,846	–
	170,132	88,958

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,958,000 (2016: HK$1,400,000))		**427,676**	455,113
Depreciation	14	**14,454**	14,721
Amortisation of other intangible assets	17	**153**	178
Research and development costs		**8,389**	6,494
Lease payments under operating leases in respect of land and buildings:			
Minimum lease payments		**119,387**	110,692
Contingent rents		**13,124**	14,911
Auditor's remuneration		**2,300**	2,080
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries and other benefits		**157,795**	157,707
Pension scheme contributions		**10,777**	13,614
		168,572	171,321
Foreign exchange difference, net		**(1,775)**	6,420
Impairment of trade receivables, net*	22	**5,017**	1,193
Gross rental income	5	**(10,287)**	(12,633)
Less: direct outgoing expenses		**587**	314
		(9,700)	(12,319)
Gain on bargain purchase of additional interest in an associate**		**–**	68,126

* Impairment of trade receivables, net, is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Gain on bargain purchase of additional interest in an associate is included in "Share of profits and losses of associates" in 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 borrowings	**16,555**	14,854

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange, 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	**660**	570
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**14,360**	14,360
Performance-related bonuses*	**599**	1,827
Pension scheme contributions	**72**	71
	15,031	16,258
	15,691	16,828

* 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 statistics during the year.

8. DIRECTORS' REMUNERATION *(Continued)*

The remuneration paid to executive directors and independent non-executive directors during the year was as follows:

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017					
Executive directors:					
Mr. Tang Ching Ho	**–**	**12,000**	**500**	**18**	**12,518**
Mr. Chan Chun Hong, Thomas	**–**	**661**	**28**	**18**	**707**
Ms. Tang Mui Fun	**–**	**1,699**	**71**	**36**	**1,806**
	–	**14,360**	**599**	**72**	**15,031**
Independent non-executive directors:					
Mr. Leung Wai Ho	**160**	**–**	**–**	**–**	**160**
Mr. Siu Man Ho, Simon	**160**	**–**	**–**	**–**	**160**
Mr. Cho Wing Mou	**160**	**–**	**–**	**–**	**160**
Mr. Li Ka Fai, David	**180**	**–**	**–**	**–**	**180**
	660	**–**	**–**	**–**	**660**
2016					
Executive directors:					
Mr. Tang Ching Ho	–	12,000	1,530	18	13,548
Mr. Chan Chun Hong, Thomas	–	661	41	18	720
Ms. Tang Mui Fun	–	1,699	256	35	1,990
	–	14,360	1,827	71	16,258
Independent non-executive directors:					
Mr. Leung Wai Ho	140	–	–	–	140
Mr. Siu Man Ho, Simon	140	–	–	–	140
Mr. Cho Wing Mou	140	–	–	–	140
Mr. Li Ka Fai, David	150	–	–	–	150
	570	–	–	–	570

8. DIRECTORS' REMUNERATION *(Continued)*

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2017 and 2016.

9. FIVE HIGHEST PAID EMPLOYEES

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

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and benefits in kind	**4,509**	4,058
Discretionary performance related bonuses	**613**	632
Pension scheme contributions	**53**	51
	5,175	4,741

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

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**3**	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	**1,542**	1,605
Underprovision in prior years	**398**	365
Deferred taxation (note 29)	**(4,372)**	1,869
Total tax charge/(credit) for the year	**(2,432)**	3,839

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

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) before tax	**(96,359)**	29,066
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**(18,278)**	4,673
Adjustments in respect of current tax of previous periods	**398**	365
Profits and losses attributable to associates	**7,440**	(12,808)
Income not subject to tax	**(26,506)**	(15,169)
Expenses not deductible for tax	**12,169**	17,470
Tax losses utilised from previous periods	**(20)**	(49)
Tax losses not recognised	**21,047**	10,922
Utilisation of deductible temporary differences previously not recognised	**(835)**	(2,409)
Deductible temporary differences not recognised	**2,368**	1,002
Effect of tax concession	**(215)**	(158)
Tax charge/(credit) at the Group's effective rate	**(2,432)**	3,839

The share of tax attributable to associates amounting to a tax charge of HK$4,679,000 (2016: HK$6,528,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 883,085,846 (2016: 498,929,590 (restated)) in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for both years has been adjusted retrospectively to reflect the impact of the WYT Rights Issue (as defined in note 30(d) to the financial statements) completed on 29 September 2016.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the year ended 31 March 2016 has been adjusted to reflect the impact of the rights issue completed on 19 May 2015 and the share consolidation completed on 15 March 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

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

	2017 HK$'000	2016 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations	**(93,303)**	25,387

	Number of shares	
	2017	2016 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	**883,085,846**	498,929,590

13. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 25 November 2015, Smart First, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose of an owner-occupied property located at Sheung Shui for a cash consideration of HK$88,000,000. The disposal was completed on 31 May 2016 and accordingly, the owner-occupied property with a carrying amount of HK$21,767,000 was classified as a non-current asset classified as held for sale as at 31 March 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 April 2015		205,105	52,989	35,080	39,740	2,183	17,581	315,690	668,368
Additions		–	6,478	1,125	3,638	–	1,184	135,296	147,721
Acquisition of subsidiaries that are not a business	33	28,000	–	–	–	–	–	–	28,000
Disposals		–	(2,276)	–	(1,055)	–	(91)	–	(3,422)
Disposal of a subsidiary	34	(20,000)	–	–	–	–	–	–	(20,000)
Classified as held for sale	13	(25,500)	–	–	–	–	–	–	(25,500)
Exchange realignment		–	(1)	–	(5)	(25)	(27)	–	(58)
At 31 March 2016 and 1 April 2016		187,605	57,190	36,205	42,318	2,158	18,647	450,986	795,109
Additions		95,141	18,319	205	2,483	1,517	572	83,809	202,046
Written off		–	(17,236)	(27,782)	(19,342)	(1,477)	(6,180)	–	(72,017)
Transfer		440,935	9,364	39,171	3,524	–	1,315	(494,309)	–
Exchange realignment		–	(2)	–	(10)	(50)	(59)	–	(121)
At 31 March 2017		723,681	67,635	47,799	28,973	2,148	14,295	40,486	925,017
Accumulated depreciation:									
At 1 April 2015		22,045	47,142	31,879	36,685	1,298	12,578	–	151,627
Provided for the year		5,451	3,944	1,289	2,042	227	1,768	–	14,721
Disposals		–	(2,276)	–	(1,055)	–	(91)	–	(3,422)
Disposal of a subsidiary	34	(1,324)	–	–	–	–	–	–	(1,324)
Classified as held for sale	13	(3,733)	–	–	–	–	–	–	(3,733)
Exchange realignment		–	(1)	–	(5)	(12)	(19)	–	(37)
At 31 March 2016 and 1 April 2016		22,439	48,809	33,168	37,667	1,513	14,236	–	157,832
Provided for the year		5,252	3,913	1,309	1,968	246	1,766	–	14,454
Written off		–	(16,639)	(27,758)	(18,811)	(1,296)	(6,171)	–	(70,675)
Exchange realignment		–	–	–	(9)	(29)	(43)	–	(81)
At 31 March 2017		27,691	36,083	6,719	20,815	434	9,788	–	101,530
Carrying amount:									
At 31 March 2017		695,990	31,552	41,080	8,158	1,714	4,507	40,486	823,487
At 31 March 2016		165,166	8,381	3,037	4,651	645	4,411	450,986	637,277

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 March 2017, certain of the Group's land and buildings with a net carrying amount of HK$155,558,000 (2016: HK$154,655,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INVESTMENT PROPERTIES

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year		**510,800**	510,000
Disposal of a subsidiary	34	**–**	(23,000)
Acquisition of subsidiaries that are not a business	33	**–**	42,000
Net losses from fair value adjustments		**(31,800)**	(18,200)
Carrying amount at end of year		**479,000**	510,800

All of the Group's investment properties are commercial properties in Hong Kong.

The investment properties were revalued by Vigers Appraisal and Consulting Limited, an independent professionally qualified valuer, at 31 March 2017. The finance department includes a team that reviews the valuation performed by the independent valuer for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and the valuer 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 valuer to verify major inputs to the independent valuation report. The finance department also assesses property valuation movements when compared to the prior year valuation report.

The investment properties were revalued on 31 March 2017 by Vigers Appraisal and Consulting Limited, an independent professionally qualified valuer, at HK$479,000,000 (2016: HK$510,800,000). Each year, the Group's financial controller decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further details of which are included in note 37(a) to the financial statements.

At 31 March 2017, the Group's investment properties with an aggregate carrying value of HK$479,000,000 (2016: HK$464,800,000) and certain rental income generated from there were pledged to secure the general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on page 164.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The recurring fair value measurement for all the commercial properties of the Group uses significant unobservable inputs (Level 3).

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).

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

	Total
	HK$'000
Carrying amount at 1 April 2015	510,000
Disposal of a subsidiary (note 34)	(23,000)
Acquisition of subsidiaries that are not a business (note 33)	42,000
Net losses from fair value adjustments recognised in profit or loss	(18,200)
Carrying amount at 31 March 2016 and 1 April 2016	510,800
Net losses from fair value adjustments recognised in profit or loss	(31,800)
Carrying amount at 31 March 2017	479,000

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 2017**	**Range** 2016
Commercial properties	Investment method and direct comparison method	Estimated rental value per square feet and per month (HK$)	**140 to 320**	140 to 330
		Capitalisation rate	**2.3% to 2.9%**	2.3% to 2.8%

As at 31 March 2017 and 2016, the valuations of investment properties were based on either the investment method which capitalises the rent receivable from the existing tenancies and the potential reversionary market rent of the properties or the direct comparison method by reference to comparable market transactions.

A significant increase/decrease in the 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.

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

16. GOODWILL

	HK$'000
As at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017:	
Cost	298,964
Accumulated impairment	(283,629)
Net carrying amount	15,335

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("CGU") for impairment testing:

- One subsidiary in the production and sale of Chinese pharmaceutical and health food products segment ("Subsidiary A"); and
- One subsidiary in the production and sale of Western pharmaceutical and health food products segment ("Subsidiary B").

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 rates applied to the cash flow projections for the CGUs of Subsidiary A and Subsidiary B were 11.6% (2016: 12.7%) and 11.4% (2016: 17.0%), respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2016: 3%).

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

	Total HK$'000
At 31 March 2017 and 2016:	
Subsidiary A	7,700
Subsidiary B	7,635
	15,335

Assumptions were used in the value in use calculation of the CGUs for the years ended 31 March 2017 and 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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 years ended 31 March 2017 and 2016, the management of the Group determines that there was no impairment of goodwill on any of its CGUs.

17. OTHER INTANGIBLE ASSETS

	Trademarks HK$'000
31 March 2017	
Cost at 1 April 2016, net of accumulated amortisation	290
Additions	76
Amortisation provided during the year	(153)
At 31 March 2017	213
At 31 March 2017:	
Cost	2,490
Accumulated amortisation	(2,277)
Net carrying amount	213
31 March 2016	
At 1 April 2015:	
Cost	2,354
Accumulated amortisation	(1,946)
Net carrying amount	408
Cost at 1 April 2015, net of accumulated amortisation	408
Additions	60
Amortisation provided during the year	(178)
At 31 March 2016	290
At 31 March 2016 and 1 April 2016:	
Cost	2,414
Accumulated amortisation	(2,124)
Net carrying amount	290

The trademarks have finite useful lives and are amortised on a straight-line basis over 5 to 10 years.

18. INVESTMENTS IN ASSOCIATES

	Notes	2017 HK$'000	2016 HK$'000
Cost of investments in associates:	(a)		
Shares listed in Hong Kong, at cost	(b), (c)	**585,241**	585,241
Unlisted shares, at cost	(d)	**4,331**	4,331
Less: impairment losses recognised		**(214,815)**	(214,815)
		374,757	374,757
Share of post-acquisition profits and other comprehensive income/(loss), net of dividends received		**(10,647)**	54,566
Share of other reserve		**11,464**	(853)
		375,574	428,470

The Group's trade receivable balances with the associates are disclosed in note 23 to the financial statements.

Particulars of a material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Easy One*^	Ordinary shares HK$0.01 each	Cayman Islands/ Hong Kong	28.51 (Note (b))	Investment holding

* Listed on the Main Board of the Stock Exchange. The principal activities of its subsidiaries are the provision of financial service in Hong Kong and property development in the PRC.

^ The above associate is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(a) Included in the cost of investments in associates is goodwill arising from acquisition of Easy One. The movement in the cost of investment attributable to goodwill is set out below.

	2017 HK$'000	2016 HK$'000
At beginning of year	**27,828**	33,358
Deemed disposal of partial interests in Easy One	**–**	(5,530)
At end of year	**27,828**	27,828

(b) **Year ended 31 March 2016**

(i) On 14 April 2015, Easy One and Kingston Securities Limited ("Kingston"), the placing agent, entered into a placing agreement, pursuant to which Easy One conditionally agreed to allot and issue, and Kingston conditionally agreed to place on a best effort basis, a maximum of 220,000,000 placing shares to not less than six placees at the price of HK$0.225 per placing share (the "2016 Easy One Placing"). The 2016 Easy One Placing was completed on 30 April 2015.

Upon completion of the 2016 Easy One Placing, the Group's equity interests in Easy One were diluted from 24.37% to 20.33% and an aggregate loss on deemed partial disposal of equity interests in Easy One of approximately HK$37,101,000 was recognised for the year ended 31 March 2016 and included in "Loss on deemed partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

(ii) On 4 June 2015, Easy One announced a rights issue of five rights shares for every two existing shares held by qualifying shareholders at an issue price of HK$0.168 per rights share (the "Easy One Rights Issue"). Hearty Limited ("Hearty") and Suntech Investments Limited, both are indirect wholly-owned subsidiaries of the Company, have jointly and severally and irrevocably granted an undertaking in favour of Easy One under which they agreed (i) to subscribe for 665,958,750 rights shares and 8,460,000 rights shares, respectively (674,418,750 rights shares in aggregate) and (ii) that Hearty would apply, by way of excess application, for 380,000,000 rights shares (the "WYT Irrevocably Undertaking"). On 16 July 2015, Easy One announced to change the subscription price from HK$0.168 per rights share to HK$0.105 per rights share. The Easy One Rights Issue was completed on 22 September 2015.

Upon completion of the Easy One Rights Issue, the Group subscribed for a total of 1,054,419,000 right shares, including the 380,000,000 rights shares subscribed pursuant to the WYT Irrevocably Undertaking and the Group's equity interests in Easy One increased from 20.33% to 28.51%. As a result, an aggregate gain on bargain purchase of equity interests in Easy One of HK$68,126,000 was recognised for the year ended 31 March 2016 and included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(c) The following table illustrates the summarised financial information in respect of Easy One and reconciled to the carrying amount in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Current assets	**1,334,235**	1,258,854
Non-current assets	**658,395**	754,180
Current liabilities	**(490,905)**	(409,930)
Non-current liabilities	**(295,627)**	(206,419)
Net assets	**1,206,098**	1,396,685
Non-controlling interests	**(4,147)**	113
Net assets attributable to the owner of Easy One	**1,201,951**	1,396,798
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**28.51%**	28.51%
Group's share of net assets of the associate, excluding goodwill	**342,676**	398,227
Goodwill on acquisition (less cumulative impairment)	**27,828**	27,828
Carrying amount of the investment	**370,504**	426,055

	2017 HK$'000	2016 HK$'000
Revenue	**266,419**	625,675
Profit/(loss) for the year	**(167,471)**	47,383
Post-tax loss from a discontinued operation	**–**	8,558
Other comprehensive loss	**(27,375)**	(48,325)
Total comprehensive loss for the year	**(194,846)**	(942)
Fair value of the Group's investment	**52,305**	108,583

(d) 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/(losses) for the year	**2,655**	(278)
Aggregate carrying amount of the Group's investments in the associates	**5,070**	2,415

19. LOAN AND INTERESTS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivable, unsecured	**80,000**	–
Interests receivables	**32,823**	24,644
	112,823	24,644
Less: Loan receivable classified as a non-current asset	**(80,000)**	–
Portion classified as current assets	**32,823**	24,644

The loan receivable is stated at amortised cost with a principal amount of HK$80,000,000 and an effective interest rate of 6.5% per annum. The credit term of the loan receivable is within 2 years. The carrying amount of the loan receivable approximates to its fair value.

At 31 March 2017, the loan and interests receivables that are neither past due nor impaired relate to borrowers for whom there was no recent history of default.

20. AVAILABLE-FOR-SALE INVESTMENT

	2017 HK$'000	2016 HK$'000
Unlisted debt investment, at fair value	**912,093**	671,521

The above investment consists of an investment in a debt security which was designated as an available-for-sale financial asset. The debt security is issued by China Agri-Products Exchange Limited ("CAP"), an associate of Easy One and listed on the Main Board of the Stock Exchange, with a principal amount of HK$920,000,000 (31 March 2016: HK$720,000,000) and a fixed interest rate of 10% per annum, which will mature in 2019.

On 5 July 2016, the Group entered into a sale and purchase agreement with Double Leads Investments Limited, a wholly-owned subsidiary of Wang On, to acquire the debt security with a principal amount of HK$200,000,000 and its accrued but unpaid interest, at an aggregate consideration of HK$206,849,000. The transaction was completed on 30 September 2016 and such debt security was designated as an available-for-sale investment.

During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$37,204,000 (2016: HK$54,880,000).

Details of the interest receivables generated from the debt security are included in note 19 to the financial statements.

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials and consumables	**32,744**	29,479
Work in progress	**6,784**	3,596
Finished goods	**130,184**	121,685
	169,712	154,760

22. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**87,984**	128,956
Less: accumulated impairment	**(2,611)**	(1,367)
	85,373	127,589
Rental and other deposits	**36,597**	32,518
Prepayments	**31,709**	31,817
Other receivables	**19,229**	18,053
Deposits paid for the acquisition of property, plant and equipment	**10,623**	134,336
	98,158	216,724
Total trade and other receivables	**183,531**	344,313
Less: Deposits classified as non-current assets	**(10,623)**	(134,336)
Portion classified as current assets	**172,908**	209,977

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 60 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.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**32,007**	47,262
1 to 3 months	**30,288**	42,199
3 to 6 months	**20,276**	18,367
Over 6 months	**2,802**	19,761
	85,373	127,589

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$16,285,000 (2016: HK$36,138,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables which were past due but not impaired, based on the due date, is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**69,088**	91,451
Less than 1 month past due	**5,606**	5,109
1 to 3 months past due	**8,626**	9,419
3 to 6 months past due	**679**	4,928
Over 6 months past due	**1,374**	16,682
	85,373	127,589

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 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.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**1,367**	11,135
Impairment losses recognised, net	**5,017**	1,193
Amount written off as uncollectible	**(3,773)**	(10,961)
At end of year	**2,611**	1,367

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,611,000 (2016: HK$1,367,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers based on their settlement records. The Group does not hold any collateral over these balances.

23. AMOUNTS DUE FROM ASSOCIATES

	2017 HK$'000	2016 HK$'000
Trade receivables due from associates	**10,417**	12,308

Trade receivables due from associates are unsecured and interest-free, and the Group allows a credit period of 90 days.

An aging analysis of the trade receivables due from associates 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	**2,456**	2,759
1 to 3 months	**4,983**	5,809
3 to 6 months	**2,878**	2,957
Over 6 months	**100**	783
	10,417	12,308

As at 31 March 2017 and 2016, substantially all of the trade receivables are neither past due nor impaired. 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. The Group does not hold any collateral over these balances.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed equity investments at market value	**144,452**	191,464
Unlisted mutual funds at fair value	**5,851**	5,611
	150,303	197,075

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.

The fair value of unlisted mutual funds is determined based on the quoted market prices provided by fund administrators with reference to prices derived from the over-the-counter market.

At the end of the reporting period, the equity investments at fair value through profit or loss that are denominated in USD, other than the functional currencies of the respective group entities, amounted to HK$5,851,000 (2016: HK$5,611,000).

Assuming the portfolio of the Group's listed equity investment has remained unchanged, the market value of the Group's listed equity investments at the date of approval of these financial statements was HK$129,548,000 (2016: HK$178,926,000).

25. BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Bank balances and cash	**142,768**	204,789
Time deposits	**180,927**	819
	323,695	205,608

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of six months or less depending on the immediate cash requirements of the Group, and earn interest at the effective short term time deposit rates ranging from 0.0001% to 0.87% (2016: 0.0001%) per annum. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate to their fair values.

26. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**61,077**	78,008
Accrual of salaries and commission	**17,955**	19,533
Accrual of advertising and promotion	**15,570**	11,381
Rental deposits received	**4,563**	2,971
Other payables and accruals	**50,311**	49,795
	149,476	161,688

The aged analysis of trade payables presented based on the invoice date is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**22,536**	57,237
1 to 3 months	**23,422**	18,752
3 to 6 months	**10,201**	717
Over 6 months	**4,918**	1,302
	61,077	78,008

The trade and other payables are non-interest-bearing. The credit periods on purchase of goods are 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

27. BANK BORROWINGS

	2017			2016		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans — secured	**HIBOR + 1.56**	**2017 – 2018**	**32,290**	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.25)	2016 – 2017 or on demand	93,800
Bank loans — unsecured	**HIBOR + 1.70**	**2017 – 2018 or on demand**	**30,000**	HIBOR + (1.65 – 1.70)	2016 – 2017 or on demand	36,240
Long term bank loans repayable on demand — secured	**N/A**	**N/A**	**–**	HIBOR + (1.30 – 2.50)	On demand	28,888
			62,290			158,928
Non-current:						
Bank loans — secured	**HIBOR + 1.56**	**2026**	**697,017**	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.25)	2017 – 2031	537,038
Bank loan — unsecured	**N/A**	**N/A**	**–**	HIBOR + 1.65	2021	42,720
			697,017			579,758
			759,307			738,686

27. BANK BORROWINGS *(Continued)*

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note)	**62,290**	158,928
In the second year	**34,790**	139,377
In the third to fifth years, inclusive	**139,370**	324,351
Beyond five years	**522,857**	116,030
	759,307	738,686

Note: As further explained in note 40(b) to the financial statements, the Group's term loans with an aggregate amount of HK$30,000,000 (2016: HK$53,208,000) containing a repayment 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 loans and analysed into bank loans repayable within one year or on demand.

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
Analysed into:		
Bank loans repayable:		
Within one year	**62,290**	130,040
In the second year	**34,790**	154,522
In the third to fifth years, inclusive	**139,370**	331,638
Beyond five years	**522,857**	122,486
	759,307	738,686

Notes:

(a) Certain bank loans of the Group are secured by the Group's land and buildings (note 14) and investment properties (note 15) and certain rental income generated from there amounted to HK$155,558,000 (2016: HK$154,655,000) and HK$479,000,000 (2016: HK$464,800,000), respectively.

In addition, the Company has guaranteed the Group's bank loans up to HK$759,307,000 (2016: HK$738,686,000) as at the end of the reporting period.

(b) All bank loans of the Group bear interest at floating interest rates and denominated in Hong Kong dollars.

(c) The carrying amounts of the bank loans of the Group approximate to their fair values.

28. DEFERRED FRANCHISE INCOME

	2017 HK$'000	2016 HK$'000
At beginning of year	**18**	18
Additions during the year	**120**	120
Recognised during the year	**(120)**	(120)
At end of year	**18**	18

29. DEFERRED TAX

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

Deferred tax liabilities

	Notes	**Depreciation allowance in excess of related depreciation** HK$'000	**Unrealised fair value gain on financial assets at fair value through profit or loss** HK'000	**Total** HK$'000
At 1 April 2015		1,530	–	1,530
Deferred tax charged to profit or loss during the year	10	57	5,720	5,777
Acquisition of subsidiaries that are not a business	33	11	–	11
At 31 March 2016 and 1 April 2016		1,598	5,720	7,318
Deferred tax charged/(credited) to profit or loss during the year	10	913	(2,361)	(1,448)
At 31 March 2017		2,511	3,359	5,870

29. DEFERRED TAX *(Continued)*

Deferred tax assets

	Note	Loss available for offsetting against future taxable profits HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Allowance for bad and doubtful debts HK$'000	Total HK$'000
At 1 April 2015		2,322	4,592	15	6,929
Deferred tax credited/(charged) to profit or loss during the year	10	4,294	(426)	40	3,908
At 31 March 2016 and 1 April 2016		6,616	4,166	55	10,837
Deferred tax credited/(charged) to profit or loss during the year	10	2,992	(68)	–	2,924
At 31 March 2017		9,608	4,098	55	13,761

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong and Macao of HK$264,404,000 (2016: HK$181,120,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unused tax losses arising in the PRC of HK$34,084,000 (2016: HK$4,193,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

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 applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 March 2017 and 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. There were no significant temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised at 31 March 2017 (2016: not recognised HK$4,287,000).

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

30. SHARE CAPITAL

Shares

	2017 HK$'000	2016 HK$'000
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
1,265,142,888 (2016: 316,285,722) ordinary shares of HK$0.01 each	**12,651**	3,163

During the year, the movements in share capital and share premium account of the Company were summarised as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2015		4,217,142,969	42,171	1,523,882	1,566,053
Issue of rights shares	(a)	2,108,571,484	21,086	206,640	227,726
Share issue expenses	(a)	–	–	(5,279)	(5,279)
Share consolidation	(b)	(6,009,428,731)	–	–	–
Capital reduction	(c)	–	(60,094)	–	(60,094)
At 31 March 2016 and 1 April 2016		316,285,722	3,163	1,725,243	1,728,406
Issue of rights shares	(d)	948,857,166	9,488	398,521	408,009
Share issue expenses	(d)	–	–	(7,344)	(7,344)
At 31 March 2017		1,265,142,888	12,651	2,116,420	2,129,071

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes:

(a) On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares of the Company held by qualifying shareholders at an issue price of HK$0.108 per rights share and a total of 2,108,571,484 rights shares were issued at a total cash consideration, before expenses, of HK$227,726,000. The related share issue expenses charged to share premium account amounted to HK$5,279,000.

(b) On 15 March 2016, the Company completed the consolidation of shares in the issued shares of the Company whereby every twenty existing shares of HK$0.01 each was consolidated into one consolidated share of HK$0.2 each (the "Share Consolidation").

(c) On 15 March 2016, after the Share Consolidation, the Company completed the share reduction of the issued share capital of the Company whereby the nominal value of all issued consolidated shares of the Company was reduced from HK$0.2 each to HK$0.01 by cancelling HK$0.19 and the issued share capital of the Company was reduced by HK$0.19 per consolidated share in issue. The credit arising from this capital reduction was credited to the contributed surplus account of the Company.

(d) On 29 September 2016, the Company completed a rights issue of three rights shares for every one existing share of the Company held by qualifying shareholders at an issue price of HK$0.43 per rights share (the "WYT Rights Issue") and a total of 948,857,166 rights shares were issued at a total cash consideration, before expenses, of approximately HK$408,009,000. The related share issue expenses charged to share premium account amounted to HK$7,344,000.

Share options

Details of the Company's share option scheme are set out in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 18 September 2003 (the "2003 Scheme") was terminated with the approval by the shareholders of the Company at the annual general meeting held on 22 August 2013 and a new share option scheme (the "2013 Scheme") was approved to be adopted by the shareholders of the Company on 22 August 2013. The 2013 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 2003 Scheme.

Upon the termination of the 2003 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 2003 Scheme.

The 2013 Scheme is for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company and its subsidiaries.

Pursuant to the 2013 Scheme, the board of directors may grant options to directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing price of the shares of the Company 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.

31. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares of the Company 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 Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the 2013 Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Scheme shall not exceed 10% of the shares in issue as at the date of approval of the 2013 Scheme.

The total number of shares in respect of which options may be granted to an eligible person under the 2013 Scheme is not permitted to exceed 1% of the aggregate number of shares for the time being issued and issuable under the 2013 Scheme.

No share options under the 2013 Scheme were outstanding as at 31 March 2017 and 2016. No share option has been granted, exercised, cancelled or lapsed during the years.

The following share options were outstanding under the 2003 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	**14.989**	**54**	0.773	1,058
Adjusted upon completion of rights issue	**–**	**5**	–	44
Adjusted upon Share Consolidation	**–**	**–**	–	(1,024)
Forfeited during the year	**13.657**	**(12)**	8.290	(24)
At end of year	**13.350**	**47**	14.881	54

There were no share options granted or exercised for the years ended 31 March 2017 and 2016.

There was no share-based payment recognised during the year ended 31 March 2017 (2016: Nil).

31. SHARE OPTION SCHEME *(Continued)*

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		

2016

	Number of options '000	Exercise price* HK$ per share	Exercise period*
	24	23.1200	8.1.2010 to 7.1.2019
	30	8.2900	12.5.2011 to 11.5.2020
	54		

* 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

At the end of the reporting period, the Company had 47,577 (2016: 53,871) share options outstanding under the 2003 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 (2016: HK$500) and share premium of HK$634,000 (2016: HK$807,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 39,170 share options outstanding under the 2003 Scheme, which represented approximately 0.003% of the Company's shares in issue at that date.

32. 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 78 and 79 of the consolidated financial statements.

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.

(ii) Contributed surplus

The contributed surplus represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of the bonus issue of shares by the Company.

(iii) Other reserve

The other reserve represents the Group's share of other reserve of its associate which in turn shares the other reserve of its another associate arising from the changes in that associate's ownership interests in its subsidiaries that do not result in the loss of control.

(iv) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Company's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

33. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

Year ended 31 March 2016

On 13 November 2015, the Group entered into a sale and purchase agreement with East Run Investments Limited ("East Run"), an indirect wholly-owned subsidiary of Wang On, to acquire the entire equity interests in Good Excellent and Sunbo and the shareholder's loans owed by Good Excellent and Sunbo to East Run, at a total cash consideration of HK$70,353,000. The transaction was completed on 23 December 2015, and Good Excellent and Sunbo became wholly-owned subsidiaries of the Group since then.

Good Excellent and Sunbo are principally engaged in property holding in Hong Kong and up to the date of acquisition, Good Excellent and Sunbo have not carried out any significant business transaction except for holding certain properties in Hong Kong. The above acquisitions have been accounted for by the Group as acquisitions of assets as the entities acquired by the Group do not constitute a business.

33. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 March 2016 *(Continued)*

The net assets acquired by the Group in the above transaction are as follows:

	Notes	Good Excellent HK$'000	Sunbo HK$'000	Total HK$'000
Net assets acquired:				
Investment properties	15	–	42,000	42,000
Property, plant and equipment	14	28,000	–	28,000
Bank balances		451	433	884
Tax recoverable		21	33	54
Prepayments and other deposits		–	7	7
Other payables and accruals		(309)	(272)	(581)
Deferred tax liabilities		(9)	(2)	(11)
		28,154	42,199	70,353
Satisfied by:				
Cash		28,154	42,199	70,353

An analysis of the cash flows in respect of the acquisitions of Good Excellent and Sunbo is as follows:

	Good Excellent HK$'000	Sunbo HK$'000	Total HK$'000
Total cash consideration	(28,154)	(42,199)	(70,353)
Bank balances acquired	451	433	884
Net outflow of cash and cash equivalents included in cash flows from investing activities for the prior year	(27,703)	(41,766)	(69,469)

34. WIND-UP/DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2017

Two indirect non-wholly-owned subsidiaries of the Group in Singapore were wound up voluntarily during the year.

	HK$'000
Release of exchange fluctuation reserve upon winding-up	(3,030)
Release of non-controlling interest upon winding-up	(510)
Gain on winding-up of subsidiaries	3,540
	–
Net inflow of cash and cash equivalents in respect of the winding-up of subsidiaries	–

Year ended 31 March 2016

On 24 April 2015, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Smart Star and a shareholder's loan owed by Smart Star to the Group for a total consideration of HK$45,000,000. Smart Star was principally engaged in property holding and the disposal of Smart Star was completed on 23 July 2015.

Details of the net assets of Smart Star disposed of in the prior year and their financial impacts are summarised below:

	Notes	HK$'000
Net assets disposed of:		
Investment properties	15	23,000
Property, plant and equipment	14	18,676
		41,676
Professional fees and expenses		840
Gain on disposal of a subsidiary		2,484
		45,000
Satisfied by:		
Cash		45,000

34. WIND-UP/DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 March 2016 *(Continued)*

An analysis of the net inflow of cash and cash equivalents for the prior year in respect of the disposal of Smart Star is as follows:

	HK$'000
Cash consideration	45,000
Cash and bank balances disposed of	–
Professional fees and expenses	(840)
Net inflow of cash and cash equivalents in respect of the disposal of Smart Star	44,160

35. RETIREMENT BENEFIT PLANS

The Group participates in a MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the Occupational Retirement Schemes Ordinance Scheme prior to the establishment of the MPF Scheme were switched to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes the lower of HK$1,500 and 5% of the relevant monthly payroll costs to the MPF Scheme (save for a director of the Company for whom the Group contributes HK$3,000 per month), which contribution is matched by the employees.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost of HK$10,849,000 (2016: HK$13,685,000) charged to profit or loss represents contributions paid and payable to these schemes of the Group in respect of the current accounting year. As at 31 March 2017, contributions of HK$439,000 (2016: HK$444,000) due in respect of the reporting period had not been paid over to the schemes.

36. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group are included in notes 14, 15 and 27 to the financial statements.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) and sub-leases under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2017, 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	**15,264**	11,845
In the second to fifth years, inclusive	**19,903**	12,939
	35,167	24,784

(b) As lessee

The Group leases certain of its office properties and retail shops under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

Certain leases have contingent rental payable which is based on the turnover of the relevant retail shops. The contingent rent paid for the year was HK$13,124,000 (2016: HK$14,911,000).

The Group made minimum lease payments of HK$119,387,000 (2016: HK$110,692,000) under operating leases during the year in respect of its office properties and retail shops.

At 31 March 2017, 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	**74,059**	90,714
In the second to fifth years, inclusive	**84,977**	56,419
After five years	**3,541**	1,512
	162,577	148,645

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(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:		
– Property, plant and equipment	**10,971**	57,941

39. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2017 HK$'000	2016 HK$'000
Wang On and its subsidiaries (other than the Group)			
– Rental income earned by the Group	(i)	**7,152**	2,096
– Rental expenses incurred by the Group	(i)	**10,800**	10,841
– Management fee incurred by the Group	(i)	**120**	960
– Sales of Chinese pharmaceutical products by the Group	(ii)	**7,900**	6,828
– Acquisition of a debt security	(iii)	**206,849**	–
Associates			
– Sales of Chinese pharmaceutical products by the Group	(ii)	**23,059**	24,438
– Rental income earned by the Group	(i)	**2,858**	1,904
– Management and promotion fees earned by the Group	(i)	**1,089**	1,024
– Interest income on a loan earned by the Group	(iv)	**1,585**	–

Notes:

(i) The transactions were based on terms mutually agreed between the Group and the related parties.

(ii) The sales to the related parties were made according to the published prices and conditions that the Group offered to its customers.

(iii) Details of the acquisition of an available-for-sale investment are set out in note 20 to the financial statements.

(iv) Interest was charged by the Group on a loan advanced to Easy One.

Details of the terms of the relevant loan are set out in note 19 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Acquisition of Good Excellent and Sunbo from East Run, an indirect wholly-owned subsidiary of Wang On in the prior year

Details of the acquisition of Good Excellent and Sunbo are set out in note 33 to the financial statements.

(c) Compensation of key management personnel of the Group

Details of compensation of key management personnel of the Group are set out in note 8 to the financial statements.

Except for the transactions with associates, all related party transactions in respect of items (a) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27 to the financial statements, net of cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

a. Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Available-for-sale investment	**912,093**	671,521
Equity investments at fair value through profit or loss	**150,303**	197,075
Loans, trade and other receivables (including cash and cash equivalents)	**588,134**	420,720
Financial liabilities		
At amortised cost	**873,561**	852,746

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates, loan and interests receivables, available-for-sale investment, equity investments at fair value through profit or loss, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Market risk

(i) *Currency risk*

The Company and several subsidiaries of the Company have foreign currency sales and purchases and foreign currency bank deposits, which expose the Group to foreign currency risk. Approximately 1.1% (2016: 1.0%) of the Group's bank deposits are denominated in currencies other than the functional currencies of the group entities. Substantially all of the Group's sales are denominated in the relevant group entities' functional currencies, whilst almost 75.6% (2016: 88.4%) of the purchase costs are denominated in the relevant group entities' functional currencies.

The Group currently does not implement hedging activities to hedge against foreign currency exposure.

Sensitivity analysis

The Group is mainly exposed to the foreign exchange rate fluctuation of the foreign currencies stated above against the functional currencies of the respective group entities.

If the RMB exchange rate had increased/decreased by 5% and other variables were held constant, the Group's loss for the year ended 31 March 2017 would have increased/decreased by HK$480,000 (2016: profit would have decreased/increased by HK$351,000).

The Group's exposures to currency risk of other currencies are considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 27 to the financial statements) and bank deposits (see note 25 to the financial statements) at prevailing market 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 Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of one to three months Hong Kong Interbank Offered Rate. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits at the end of the reporting period. The analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would have increased/decreased by HK$2,414,000 (2016: profit would have decreased/increased by HK$3,081,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate bank borrowings.

The Group's exposures to interest rate risk on bank balances are considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Price risk

The Group is exposed to price risk because the fair value of equity investments at fair value through profit or loss is measured by reference to the prevailing market price. Details of equity investments at fair value through profit or loss are set out in note 24 to the financial statements.

The Group currently does not have a policy to hedge the price risk. However, management closely monitors such risk by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity investments at fair value through profit or loss at the end of the reporting period. The analysis is prepared assuming that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10% (2016: 10%) increase or decrease is used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the prevailing market price.

If the market price of equity investments at fair value through profit or loss had increased/decreased by 10% (2016: 10%) and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would have decreased/increased by HK$12,550,000 (2016: profit would have increased/decreased by HK$16,456,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

The table includes both interest and principal cash flows. To the extent that interest cash flows are at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2017						
Trade and other payables	–	114,254	–	–	114,254	114,254
Bank borrowings — variable rate	2.01	76,933	290,126	493,342	860,401	759,307
		191,187	290,126	493,342	974,655	873,561
As at 31 March 2016						
Trade and other payables	–	114,060	–	–	114,060	114,060
Bank borrowings — variable rate	2.27	171,961	497,494	118,456	787,911	738,686
		286,021	497,494	118,456	901,971	852,746

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted principal amount of these bank loans amounted to HK$30,000,000 (2016: HK$53,208,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in three months to over five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows are repayable as follows:

	2017	2016
	HK$'000	HK$'000
Less than 1 year	**30,485**	55,531
Over 1 to 5 years	**–**	23,038
Over 5 years	**–**	6,700
Total undiscounted cash flows	**30,485**	85,269

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk in a loan advanced to Easy One of HK$80,000,000 (2016: Nil) and an unlisted debt investment issued by CAP of HK$912,093,000 (2016: HK$671,521,000) as set out in notes 19 and 20 to the financial statements, respectively. As Easy One and CAP are listed entities, the management of the Group reviews their published financial information regularly to ensure that the principal and interest are recoverable at the respective maturity dates.

In order to minimise the credit risk on 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-up 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 this regard, the directors of the Company consider that the credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

c. Fair value

Management has assessed that the fair values of bank balances and cash, trade receivables, trade payables, financial assets included in prepayments, rental and other deposits, other receivables, amounts due from associates, the current portion of loan and interests receivables, financial liabilities included in other payables, and the current portion of bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the financial controller and the audit committee. At each reporting date, the finance team 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 financial controller. 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. Fair value *(Continued)*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis; and

- the fair value of the equity investments at fair value through profit or loss in note 24 to the financial statements is determined based on quoted market bid prices in the active market.

The fair values of the non-current portion of loan and interests receivables and interest-bearing bank borrowings 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 borrowings as at 31 March 2017 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of loan and interests receivables and interest-bearing bank borrowings approximate to their carrying amounts.

The fair value of the unlisted available-for-sale debt investment has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows. 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 other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable input to the valuation of the unlisted available-for-sale debt investment together with a quantitative sensitivity analysis as at 31 March 2017:

	Valuation technique	**Significant unobservable input**	**Weighted average of credit spread**	**Sensitivity of fair value to the input**
Unlisted available-for-sale debt investment	Discounted cash flow value	Discount for credit risk	9.1% (2016: 11.6%)	1% increase/(decrease) in discount for credit risk would result in decrease/(increase) in fair value by HK$19,449,000 (2016: HK$18,632,000)

The discount for credit risk represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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**
Assets measured at fair value				
Available-for-sale investment	**–**	**–**	**912,093**	**912,093**
Equity investments at fair value through profit or loss	**144,452**	**5,851**	**–**	**150,303**

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
Assets measured at fair value				
Available-for-sale investment	–	–	671,521	671,521
Equity investments at fair value through profit or loss	191,464	5,611	–	197,075

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).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d. Capital management

The primary objective 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 equity holders of the Company. Net debt is calculated as the total of interest-bearing bank borrowings, less bank balances and cash. The gearing ratios as at the end of the reporting periods were as follows:

	2017	2016
	HK$'000	HK$'000
Interest-bearing bank borrowings (note 27)	**759,307**	738,686
Less: Bank balances and cash (note 25)	**(323,695)**	(205,608)
Net debt	**435,612**	533,078
Equity attributable to owners of the parent	**2,651,791**	2,322,490
Gearing ratio	**16%**	23%

41. EVENT AFTER THE REPORTING PERIOD

On 29 May 2017, Winning Rich Investments Limited ("Winning Rich"), an indirect wholly-owned subsidiary of the Group, entered into an extension agreement with CAP, pursuant to which Winning Rich agreed to extend the payment date of the debt security interest ("CAP Interest") from 29 May 2017 to 31 August 2017 in consideration for interest calculated at the rate 12% per annum which shall be payable on the CAP interest for such extension period.

42. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

43. 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 ASSET		
Investments in subsidiaries	–	–
	–	–
CURRENT ASSETS		
Due from subsidiaries	2,729,576	2,388,655
Other receivables	4,752	6,046
Equity investments at fair value through profit or loss	31,210	45,520
Tax recoverable	1,306	1,488
Bank balances and cash	198,240	43,886
	2,965,084	2,485,595
CURRENT LIABILITIES		
Due to subsidiaries	580,280	459,001
Other payables	3,028	3,777
	583,308	462,778
NET CURRENT ASSETS	2,381,776	2,022,817
TOTAL ASSETS LESS CURRENT LIABILITIES	2,381,776	2,022,817
NON-CURRENT LIABILITY		
Deferred tax liability	3,359	5,720
Net assets	2,378,417	2,017,097
EQUITY		
Issued capital	12,651	3,163
Reserves (note)	2,365,766	2,013,934
Total equity	2,378,417	2,017,097

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015		1,523,882	(27,150)	215,599	499	26,616	1,739,446
Profit and total comprehensive income for the year		–	–	–	–	13,033	13,033
Issue of rights shares	30(a)	206,640	–	–	–	–	206,640
Share issue expenses	30(a)	(5,279)	–	–	–	–	(5,279)
Capital reduction	30(c)	–	–	60,094	–	–	60,094
Forfeiture of share options		–	–	–	(6)	6	–
At 31 March 2016 and 1 April 2016		1,725,243	(27,150)	275,693	493	39,655	2,013,934
Loss and total comprehensive loss for the year		–	–	–	–	(39,345)	(39,345)
Issue of rights shares	30(d)	398,521	–	–	–	–	398,521
Share issue expenses	30(d)	(7,344)	–	–	–	–	(7,344)
Forfeiture of share options		–	–	–	(110)	110	–
At 31 March 2017		2,116,420	(27,150)	275,693	383	420	2,365,766

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 or be forfeited after the vesting period.

44. 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, G/F, Nos. 23-33 Shui Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop G, 103 Hip Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
G/F, 581 Nathan Road, Mongkok, Kowloon	Commercial premises for rental	Medium term lease	100%
G/F, Bowring Building, No. 14 Bowring Street, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop A, G/F, No. 76B To Kwa Wan Road, Kowloon	Commercial premises for rental	Long term lease	100%
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	Medium term lease	100%

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/re-presented 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
CONTINUING OPERATIONS					
Revenue	**738,440**	825,331	831,088	865,258	785,581
Profit/(loss) before tax from continuing operations	**(96,359)**	29,066	120,778	171,874	148,687
Income tax credit/(expense)	**2,432**	(3,839)	(17)	(3,676)	(291)
Profit/(loss) for the year from continuing operations	**(93,927)**	25,227	120,761	168,198	148,396
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	90	(5,096)	(77)
PROFIT/(LOSS) FOR THE YEAR	**(93,927)**	25,227	120,851	163,102	148,319
Attributable to:					
Owners of the parent	**(93,303)**	25,387	120,979	163,374	148,433
Non-controlling interests	**(624)**	(160)	(128)	(272)	(114)
	(93,927)	25,227	120,851	163,102	148,319

FIVE YEAR FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,573,251**	3,237,452	2,823,903	2,348,948	2,052,287
Total liabilities	**(915,528)**	(907,896)	(777,948)	(508,047)	(367,338)
	2,657,723	2,329,556	2,045,955	1,840,901	1,684,949
Equity attributable to owners of the parent	**2,651,791**	2,322,490	2,038,729	1,833,547	1,677,284
Non-controlling interests	**5,932**	7,066	7,226	7,354	7,665
	2,657,723	2,329,556	2,045,955	1,840,901	1,684,949